

LONDON BOROUGH OF CAMDEN

STATEMENT OF ACCOUNTS 2009/10

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Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

- ✿ to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs as the Chief Finance Officer. At Camden, that officer is the Director of Finance;
- ✿ to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- ✿ to approve the Statement of Accounts.

The Chief Finance Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the SORP).

In preparing this Statement of Accounts, the Chief Financial Officer has:

- ✿ selected suitable accounting policies and applied them consistently;
- ✿ made judgements and estimates that were reasonable and prudent;
- ✿ complied with the local authority SORP.

The Chief Finance Officer has also:

- ✿ kept proper accounting records which were up to date;
- ✿ taken reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the Members of the London Borough of Camden

Opinion on the Authority's accounting statements

I have audited the accounting statements and related notes of the London Borough of Camden for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of the London Borough of Camden in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Director of Finance and auditor

The Director of Finance's responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the

effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the Authority accounting statements, and consider whether it is consistent with the audited Authority accounting statements. This other information comprises the Foreword by the Director of Finance. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion the Authority's accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

Opinion on the pension fund accounting statements

I have audited the pension fund accounting statements for the year ended 31 March 2010 under the Audit Commission Act 1998. The pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of the London Borough of Camden in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Director of Finance and auditor

The Director of Finance's responsibilities for preparing the pension fund accounting statements, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the pension fund accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the pension fund accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I read other information published with the pension fund accounting statements and related notes and consider whether it is consistent with the audited pension fund accounting statements. This other information comprises the Foreword by the Director of Finance. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the pension fund accounting statements and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing

Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the pension fund accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the pension fund accounting statements and related notes.

Opinion

In my opinion the pension fund accounting statements and related notes give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the Pension Fund during the year ended 31 March 2010, and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources Authority's Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects

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of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, the London Borough of Camden made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Delay in certification of completion of the audit

The audit cannot be formally concluded and an audit certificate issued until I and my predecessor have completed our consideration of matters brought to my attention by local authority electors. I am satisfied that these matters do not have a material effect on the financial statements.

Philip Johnstone
District Auditor
Audit Commission
1st Floor, Millbank Tower, Millbank
London SW1P 4HQ
September 2010

Foreword by the Director of Finance



Michael O'Donnell
Director of Finance and Chief Finance Officer

As Director of Finance, I am pleased to present the council's 2009/10 Statement of Accounts.

The purpose of this foreword is to provide a guide to the most significant matters reported in the Council's accounts. Camden's financial statements for 2009/10 have been prepared in accordance with the standard format for local authority accounts recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) for the Statement of Accounts in 2009/10 as prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom 2009/ Statement of Recommended Practice (SORP 2009).

Review of the Year

The last year has continued to be an extremely busy period working against the backdrop of the recession to prioritise resources to support the council's excellent service delivery. The council has moved quickly to protect its most vulnerable residents – freezing council tax for a further year in 2010/11 and spending over £2.5m of its Recovery Fund to protect jobs and services within Camden. It is clear that the impact of the recession will be felt by the public sector for the remainder of the decade and this agenda has dominated the council's financial planning over the last year.

The council has continued to perform strongly. Camden's four star and "improving strongly" Comprehensive Area Assessment ratings were maintained, with the annual judgement elements retaining their scores. Camden's assessment on how it provides value for money was scored as "excellent" with the top marking of 4 for its 'Use of Resources' securing top scores for financial management, financial standing and value for money. A key element of this was setting a

two year revenue budget that allowed the council to deliver a challenging efficiency target of £9.5m over two years in a more measured and appropriate way. The learning from this experience will be critical in dealing with the challenging times ahead.

Camden has a considerable asset base and has continued to invest in its maintenance and improvement. Nearly £127m was invested during 2009/10 improving the council's housing stock and infrastructure. Pending national government decisions about funding the council will continue to invest in major capital projects to complete the Decent Homes programme, deliver new schools under the Building Schools for the Future Programme and refurbish its stock of residential homes for the elderly. The council also intends to invest in the future of its office accommodation by replacing the Town Hall Extension with new purpose built office accommodation north of Kings Cross station.

Camden is well placed to begin to weather the coming squeeze in the public finances with a strong track record of managing finances well, delivering efficiencies and with robust reserves to cover known eventualities. However the challenging times ahead mean that the council will need to continue to excel in financial management to continue to support the council's services.

The 2009/10 General Fund Revenue Outturn

The council's financial position at the end of the year remains secure, with general balances standing at £12.85m. Due to strong financial management the council was able to allocate £12.5m to the future capital schemes reserve to provide additional capital resources to support spending priorities on the council's capital programme. £0.25m of the Recovery Fund of £6.0m was used to assist Camden's residents and businesses through the recession, and £3.9m has been established within the reserves to enable the council to deal with the expected tightening of public sector spending.

The Council's actual spend compared with its updated budget for 2009/10 is set out below: -

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	Final Updated Budget 2009/10 £'000s	Final Spend £'000s
Departmental Costs	311,496	311,474
Non-departmental Costs	(54,903)	(57,371)
Revenue funding of capital expenditure	13,995	14,945
Contributions into and out of departmental and other reserves	(8,155)	(8,153)
Total	262,433	260,895
Net Over-spend on Revenue Account		(1,538)

Overall, departmental service costs were broadly on budget although there were a number of small departmental over and underspends. The parking service continued to under achieve against its target and reported a £1.27m overspend. There were also financial pressures in children's safeguarding budgets where there was a 10% increase in child placements. These were offset by underspends in Housing and Adult Social Care budgets.

The levels of reserves and balances are subject to an annual review against the council's reserves and balances policy, undertaken as part of the budget setting process.

The net operating expenditure for the year, before contributions to and from reserves and balances are taken into account and excluding the payment to the Housing capital receipts pool, was £294.805m (£546.640m in 2008/09, restated).

Balances held by schools at 31 March 2010 totalled £7.586m.

The 2009/10 Capital Outturn

Actual capital spend in the year was £126.995m, compared with a revised budget of £134.047m. The main areas of investment were within Housing and Adult Social Care which spent £72.501m, largely on working towards completing the Decent Homes programme. The main areas of slippage were within the Culture and Environment directorate on a number of TFL funded schemes.

2009/10 was the sixth year of the operation of the Prudential Code where local authorities are now free to set their own levels of borrowing to fund capital expenditure within prudential limits. The council has current borrowing facilities with the Public Works Loan Board (PWLb) and with the Cooperative Bank. In addition to new capital resources available in future years from capital receipts and capital grants, the council has at 31 March 2010 revenue contributions of

£30.531m (non-HRA) and £21.693m (HRA), and capital receipts of £102.320m in hand to meet the future capital programme's projected expenditure of approximately £884m over the next five years.

During the year, there were no major fixed asset acquisitions and in respect of disposals there were only three properties, two residential properties and one mixed commercial/residential property, where the capital receipts exceeded £1m each.

Internal and External Sources of Funding

During the year, the council spent £1,130.662m on providing council services and this covered both General Fund and HRA. The source of funding for these services is as follows:

	2009/10 £'000s		
	General Fund £m	HRA £m	Total £m
Internal			
Transfers from Reserves	0.457	(3.608)	(3.151)
Total Internal Funding	0.457	(3.608)	(3.151)
External			
Council Tax and NNDR	(230.976)	0	(230.976)
Government Grants	(485.468)	(41.877)	(527.346)
Rents	(16.112)	(113.021)	(129.133)
Sales, Fees and Charges	(199.920)	(40.137)	(240.057)
Total External Funding	(932.476)	(195.035)	(1,127.512)
Total Sources of Funding for Capital Spend 2009/10	(932.019)	(198.643)	(1,130.662)

Capital

The total capital spend of £126.995m was financed from a number of sources and include £69.096m from capital grants, £31.982m from revenue contributions and £9.457m from capital receipts

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PFI

With regard to the councils two Private Finance Initiatives, although these capital projects follow a new accounting practice from 2009/10 (explained elsewhere in the Explanatory Foreword), in revenue terms the council spent £12.506m during 2009/10 towards its two PFI schemes (Haverstock School and Chalcot Housing). Of the total spend, only £3.156m was met from the councils own resources, the remaining £9.350m was met by both Haverstock school (£0.809m) and central government (£8.541m). For all future years, funding will be met from ongoing base budgets.

Housing

The council is the main provider of rented accommodation in Camden with 23,890 units at 31 March 2010. In 2009/10 average council rents excluding service charges were £84.44 per week, an increase of £2.64, or 3.22%, over the 2008/09 level of £81.80 per week. The HRA in 2009/10 had a planned net deficit of £3.608m, which when taken from its existing reserves of £73.128m resulted in £69.520m being carried forward at 31 March 2010. This reduction was due to a planned use of revenue contributions to the capital programme in the year, partly offset by increased income from leaseholder contributions and underspends on some central budgets. The proposed use of this reserve is set out in Note 9 to the HRA accounts.

Pensions

The requirements of Financial Reporting Standard 17 (FRS 17) are implemented in full in the accounts. The accounts include a net pension liability within the balance sheet. The increase in the figure between years reflects the net change in the estimated employer's assets and the present value of the scheme liabilities. Although the investment returns were higher than expected, the liabilities increased at an even faster rate mainly due to increasing the allowance for the fact that people are living longer (the so-called longevity risk). The council's triennial valuation takes a longer-term view and provides a more appropriate measure of pension obligations. The last triennial valuation was completed in November 2007 and the results have been reported to the council. The next valuation is due in 2010 and any changes in the employers contribution rate will be effective from 2011/12.

The core accounting statements comprise: -

The Income and Expenditure Account

This reports the net cost for the year of all the functions for which the council is responsible, and demonstrates how that cost has been financed from general government grants and income from taxpayers. The surplus or deficit on this account represents the amount by which income is greater than or less than expenditure. Both income and expenditure are

measured using essentially the same accounting conventions, UK Generally Accepted Accounting Practice, (UK GAAP), which a large unlisted company would use in preparing its accounts.

The Statement of Movement on the General Fund Balance

This reports items of income and expenditure that are required to be credited or charged to the General Fund by statute or non-statutory practices other than in accordance with UK GAAP. These items are taken into account in determining the council's budget requirement and its Council Tax precept.

The Statement of Total Recognised Gains and Losses

This reports all the gains and losses experienced by the council in addition to those reflected in the Income and Expenditure Account. It will include, for example, gains or losses on revaluations of fixed assets and pensions actuarial gains and losses.

The Balance Sheet

This shows the balances and reserves at the council's disposal at the year-end, together with its long-term indebtedness, the net current assets employed in its operations and summarised information on the fixed assets held. It excludes trust funds and the Pension Fund.

The Cash Flow Statement

This summarises the cash movements arising from both revenue and capital transactions with third parties. It excludes trust funds and the Pension Fund.

The supplementary accounting statements comprise:

The Housing Revenue Account (HRA) Income and Expenditure Account

There is a statutory duty to account separately for local authority housing provision. The HRA Income and Expenditure Account shows in detail the income and expenditure on HRA services included in the whole authority Income and Expenditure Account. It includes the major elements of Council housing revenue expenditure on maintenance, administration and capital financing costs and major income sources such as rents, subsidy and other income.

The Statement of Movement on the Housing Revenue Account Balance

This shows how the HRA Income and Expenditure Account surplus or deficit for the year reconciles to the movement on the Housing Revenue Account balance for the year.

The Collection Fund Revenue Account

The Collection Fund is a separate account into which are paid the amounts raised from local taxation. The council's contribution to the national business rates pool, along with the payments due to preceptors (including Camden itself), are met from this account.

The Pension Fund Accounts

These show contributions to the council's Pension Fund for employees during 2009/10, together with the pensions and other benefits paid from it, movements in investments during the year and the financial position of the Fund as at 31 March 2010. The accounts do not include liabilities to pay pensions and benefits after that date. There is a new requirement for the Pension Fund to be audited separately from the Accounts this year, and the council's auditors will report their findings in a report to the Pensions Sub-Committee.

The document also includes the following:

The Annual Governance Statement

This statement is provided under the CIPFA/SOLACE framework and sets out the systems and processes, and culture and values, by which the council is directed and controlled and the activities through which it accounts to, engages with, and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost-effective services.

Statement of Accounting Policies

The accounts can only be properly appreciated if the policies that have been followed in dealing with material items are understood. The Statement of Accounting Policies, which follows this foreword, and the various notes to the financial statements form an integral part of the accounts. The accounting policies have been comprehensively reviewed for 2009/10 and were approved by the Audit & Corporate Governance Committee on the 25th February 2010; during the close down process of 2009/10 accounts, no further changes to these policies have been made. To assist readers, at the end of this document is a glossary of terms and abbreviations for the more widely used terms and abbreviations used within the statements and accompanying notes.

This year's accounts include a number of changes, each of which is illustrated below:

True and Fair View

In previous years the Chief Financial Officer has certified the accounts under the "presents fairly" requirement of Regulation 7 of the Accounts and Audit Regulations 2003. This has now been changed for 2009/10 so that

the Chief Financial Officer has to certify under the "true and fair view" requirement of Regulation 10(2) of the Accounts and Audit Regulations. The "true and fair view" certification is in itself a stronger certification and in line with that of the private sector.

Senior Officer Remuneration

For a number of years local government has been required to disclose information regarding officer remuneration. The officer remuneration disclosure requirements of SORP 2009 now requires a greater degree of transparency; including the disclosure by name of officers whose salary is greater than £150,000 and by post title for certain senior staff who's salary is between £50,000 and £150,000. The disclosure also requires detailed information in relation to salary, bonuses, expense allowances, compensation payments, pensions and other benefits.

Private Finance Initiative

In the past, PFI has primarily been accounted for within local government as a revenue item within the statement of accounts. With the pending introduction of International Financial Reporting Standards (IFRS) in 2010/11 and the requirement that the Whole of Government Accounting requirements for 2009/10 were to be produced on an IFRS basis, SORP 2009 now requires that PFIs are accounted for under IFRIC 12 "Service Concession Arrangements" (International Financial Reporting Interpretation Committee) rather than FRS 5 (Financial Reporting Standard). This effectively means that the assets that were previously accounted for as "off-balance sheet" will be brought "on-balance sheet" along with a liability for the financing provided by the PFI operator. The implementation of this accounting requirement is fully retrospective and requires a restatement of the previous years comparative.

National Non-Domestic Rates

SORP 2009 has revised the accounting arrangements for National Non-Domestic Rates (NNDR) and now recognises that NNDR is collected by local government as an agent activity on behalf of central government.

Corporate & Democratic Core/Non-Departmental Costs

The council has previously reported the costs associated with Corporate & Democratic Core and Non-Departmental Costs within the objective line entitled Central Services in the Income and Expenditure Accounts; unfortunately this has not been in line with the requirements of the Best Value Accounting Code of Practice. For 2009/10, this has been changed and the comparative has been amended accordingly.

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Specific and General Grant

Supporting People Grant (SPG) has previously been accounted for as a Specific Grant and therefore accounted for within the Net Cost of Services within the Income and Expenditure Account. However, SPG has now been recategorised as General Grant and is to be accounted for below the Net Cost of Service. There is no requirement to restate the previous year's comparative for this change.

As the number of general grants has increased to now include SPG as well as Revenue Support Grant and Area Based Grant, these grants have been consolidated into one line within the Income and Expenditure Account but with an accompanying note that discloses the details of the various grants that have been consolidated.

Other Disclosure Changes

Five notes that have previously been disclosed within the Statement of Accounts are no longer required by SORP and are now not included within the statement of accounts; these include Section 137 expenditure, Expenditure on publicity, The Building Control Account, Business Improvement District Schemes and Income under the Local Authorities Goods and Services Act. However, the council will disclose on the council website the information pertinent to Expenditure on publicity, The Building Control Account, Business Improvement District Schemes as this does provide essential information in support of council services.

Changes in Functions

During 2009/10 itself, there were no significant changes in function in the year. However, on the 5th July 2010 the new Coalition Government announced the abolition of a number of Building Schools for the Future (BSF) projects; however some of Camden's projects are still to continue.

As at the 31st March 2010, it was originally reported that the capital commitments relating to BSF would be £251.6m; however, following the government's BSF announcement, it is anticipated that the capital commitments relating to those continuing Camden projects will be £80.4m. In respect of revenue and capital resources expended to date, the total revenue resources incurred by the council during 2009/10 totalled £2.1m and up until early July 2010 totalled £0.8m; for capital resources the council has not committed any funds to date.

Illustrative overview

The following diagrams show in broad terms the net revenue cost of each council service per resident, the services on which the council's money is spent and where it comes from, the number of people employed by the council and the trend in council spending and staff

numbers over recent years. They also provide information on the departmental breakdown of capital expenditure.

Further Information

Further information about the accounts is available from the:

Head of Financial Services
Town Hall Extension
Argyle Street
London
WC1H 8NG

Under the Audit Commission Act 1998, sections 15 – 16, and the Accounts and Audit Regulations 2003 Regulations 13, 14 & 16, members of the public have a statutory right to inspect the Accounts before the audit is completed. The period of availability of the Accounts for inspection is advertised in the local press and anyone wishing to do so may make objection to any item of account to the council's auditor. The auditor's report on the Accounts will precede this foreword.

In accordance with regulation 10(2) of the Accounts and Audit Regulations, issued under the Audit Commission Act 1988, and where specifically stated, in accordance with all recognised statutory requirements and codes of practice applicable to local authorities; I hereby certify that the Statement of Accounts gives a true and fair view of the financial position of the authority and its income and expenditure for the year ended 31 March 2010.



Michael O'Donnell, CPFA

**Director of Finance
and Chief Finance Officer
Date 22nd September 2010**

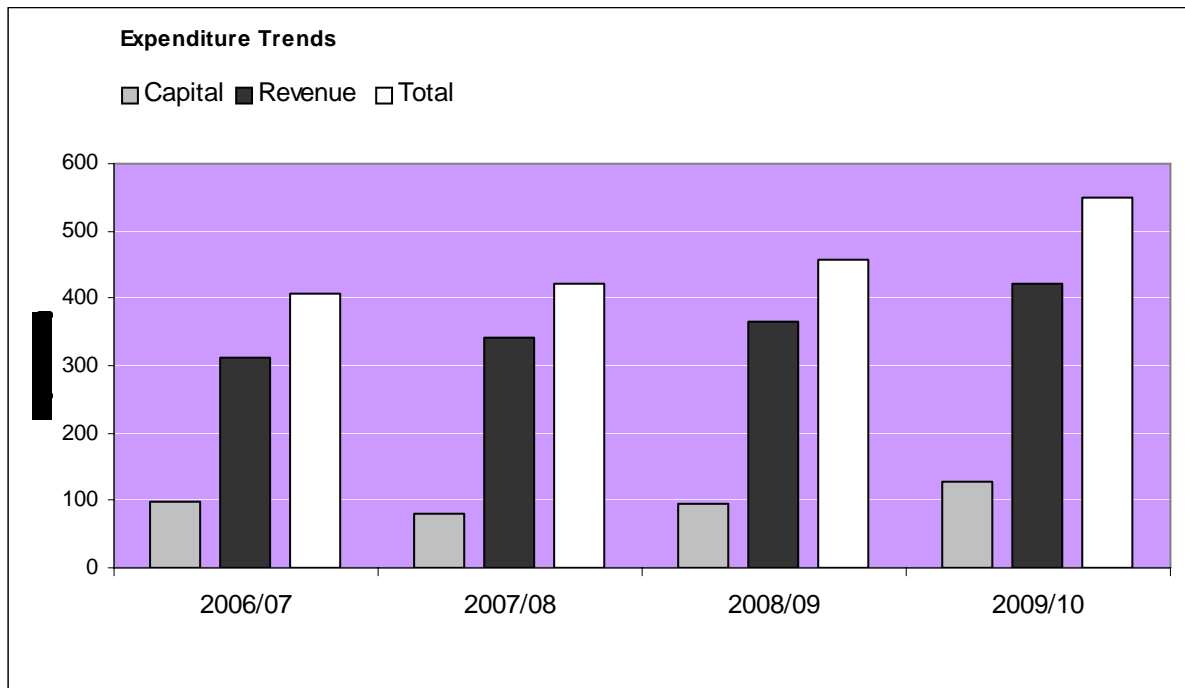
CHAIR'S APPROVAL OF STATEMENT OF ACCOUNTS

This is the final Statement of Accounts with all audit activities completed. The Audit and Corporate Governance Committee of the London Borough of Camden at its meeting on 23 September 2010 delegated authority to the Chair to approve the final Statement of Accounts.

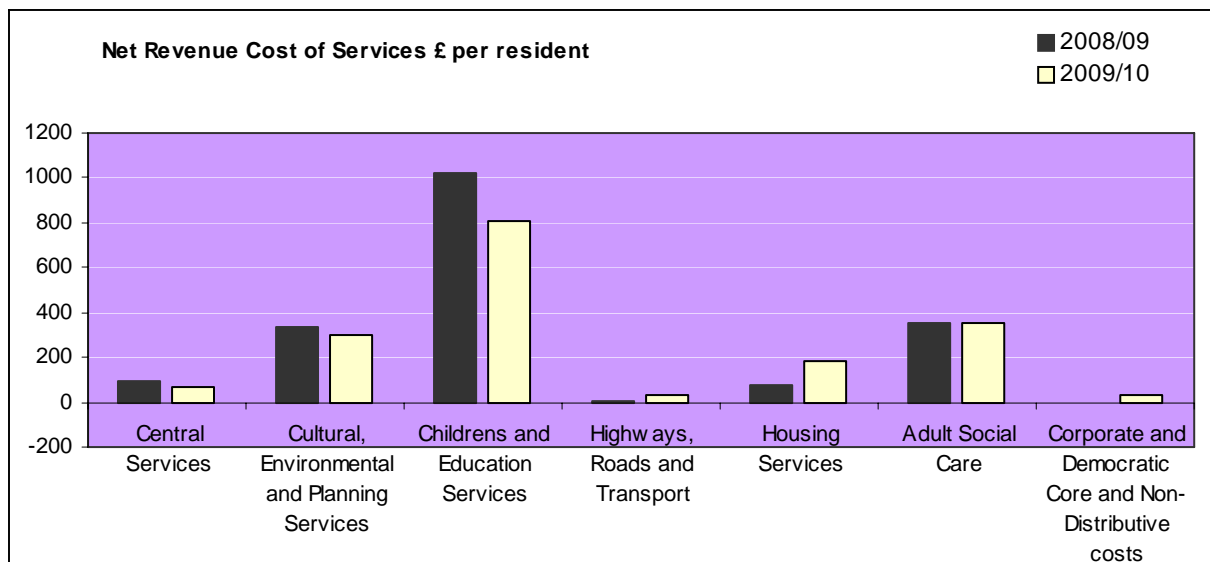


**Councillor Peter Brayshaw
Chair, Audit and Corporate Governance Committee
Date 23rd September 2010**

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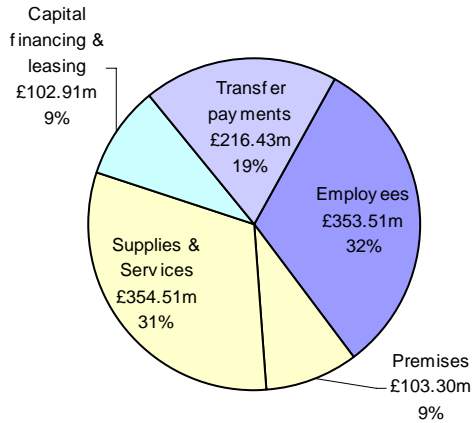
The above restated diagram shows trends in Camden's capital; net revenue adjusted for Dedicated Schools Grant and before transfers to and from reserves and payments to the Housing capital receipts pool, and total spending. Total spending in 2009/10 was £550.1m Revenue spending rose by 16.3% in 2009/10 compared with the previous year.



Resident population in 2009/10 was estimated by Camden at 247,400 compared with 239,560 in 2008/09. The net revenue cost per resident of all services, excluding HRA housing, in 2009/10 was £1,758. This was a decrease of £123 or 6.5% on 2008/09, largely due to increased efficiency despite the economic downturn and growing population. Dedicated Schools Grant has been added back to show the full cost of Education Services.

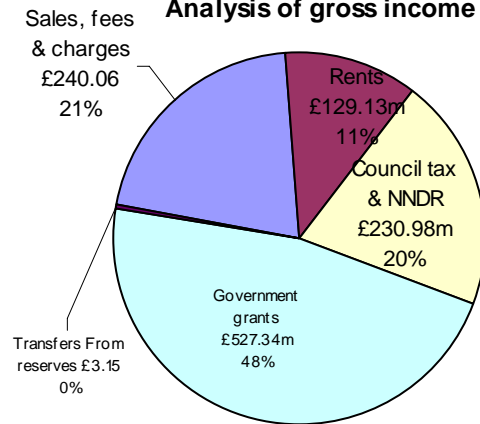
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Analysis of gross expenditure



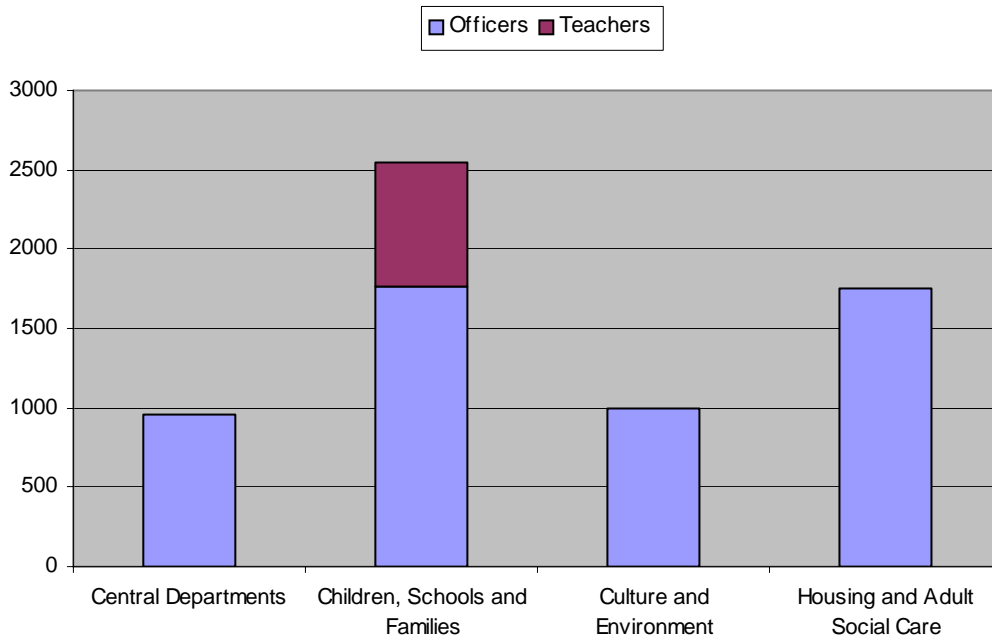
The pie chart above shows how Camden spent its money last year. Camden's gross expenditure in 2009/10 was £1,130.66m an increase of £111.29m over 2008/09.

Analysis of gross income



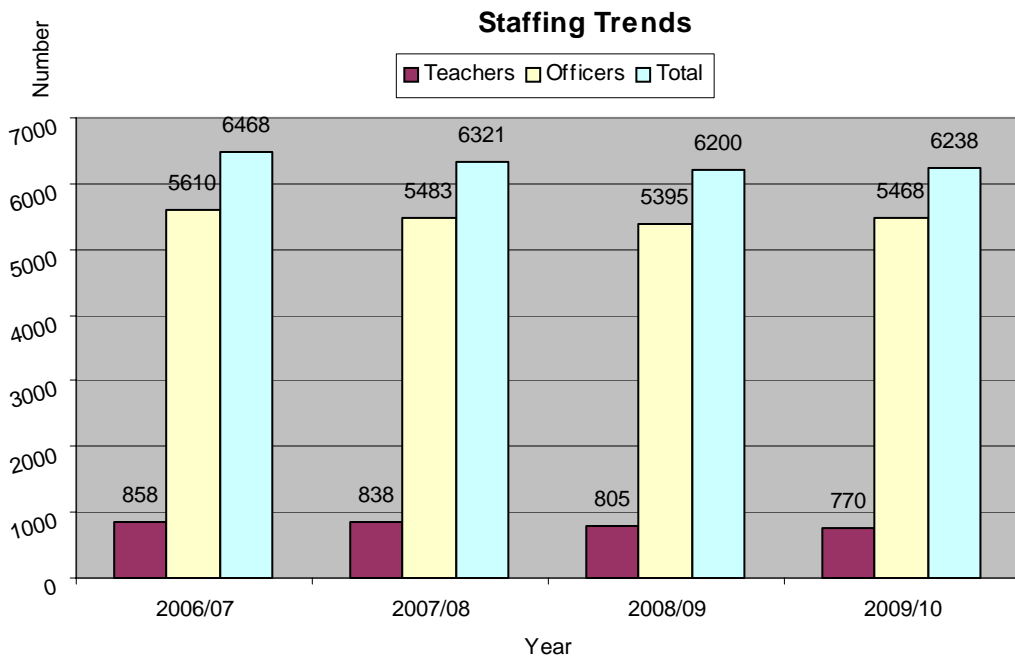
The pie chart above shows how Camden obtained its gross income of £1,130.66m in 2009/10. £96m, or 8.5% of the total, was attributable to Council Tax.

Number of Employees

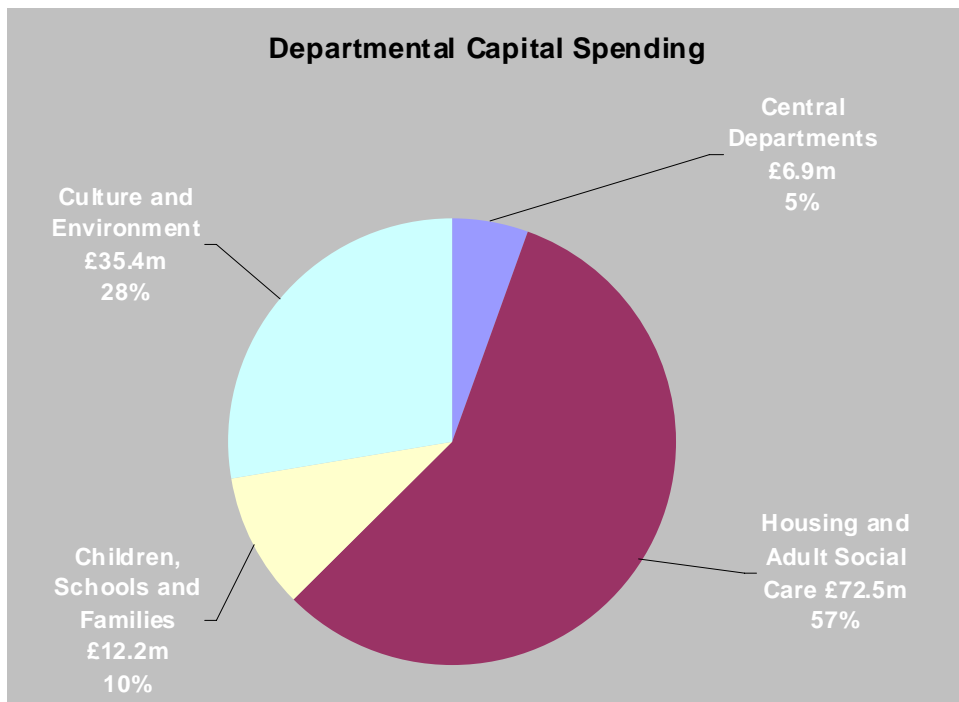


The above diagram shows Camden's staff numbers in 2009/10 for each directorate, expressed in terms of the number of full-time equivalents in post in each category of employment at 31 March 2010. The figures include staff providing services to housing tenants.

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The above diagram shows how Camden staff numbers have changed over recent years. Total FTE staffing increased by 38 between 2008/09 and 2009/10.



Camden spent £127.0m on capital projects in 2009/10, compared with £93.9m in 2008/09. The capital spending in 2009/10 is analysed by department in the chart above.

Annual Governance Statement

1. Scope of Responsibility

The London Borough of Camden is responsible for ensuring that:

- its business is conducted in accordance with the law and proper standards;
- public money is safeguarded and properly accounted for; and
- public money is used economically, efficiently and effectively.

The London Borough of Camden also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The management/operational arrangements in the Council need to reflect and support this approach.

In discharging this overall responsibility, the London Borough of Camden is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and ensuring arrangements are in place for the management of risk. It is the responsibility of the Council to ensure that this applies at departmental and divisional level and this statement reflects this.

2. The Purpose of the System of Internal Control

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled; as well as governing the framework through which it is accountable to, engages with and leads the community in managing its activities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place within the Council for the year ended 31 March 2010 and up to the date of approval of the annual report and statement of accounts.

3. The Governance Framework

The key elements of the governance framework in which the Council functions can be summarised as follows: -

- The Council has clearly identified and communicated the authority's vision of its purpose and intended outcomes for citizens and service users. It has a defined set of targets in terms of service delivery, which are contained within the Community Strategy. The targets detailed in the strategy are subject to ongoing updating and review by Members and the Camden Management Team (CMT) who receive regular reports on progress and achievement.
- The Corporate Plan, 2008-12 was refreshed for the period 2009-13 and continues to align the aims set out in the Community Strategy into specific priorities across the range of Council services. Relevant targets arising from the plan are included in Departmental Service Plans.
- In order to ensure that the Council's objectives are effectively managed, the Council has in place arrangements to deliver the strategic approach to managing risk agreed by Members in 2004. Further progress has been made in 2009/10 in the development of operational, divisional and departmental risk registers, which are used to feed the corporate risk register. This includes an Internal Audit of the corporate Risk Management framework which has identified a number of opportunities for further improvement which are currently in train.
- Policy and decision-making are managed and controlled within a strong well-established framework and a major feature of this is the Council's written constitution which sets out in detail how the Council operates, how decisions are made and the procedures to be followed to ensure efficiency, transparency and accountability. Management control is exercised through the CMT, which works to defined and established processes communicating and embedding codes of conduct and defining the standards of behaviour for staff within the Council. Departmental Management Teams (DMT)'s exercise local control within individual departments and the Council has developed a Senior Leadership Group at Chief Officer/Assistant Director level to further enhance its managerial control process.

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- Compliance with policies, laws and regulations is dealt with through a range of corporate written rules and procedures which clearly define how decisions are taken and the processes and controls required to manage risk. These are regularly reviewed and updated. These include the Constitution, Standing Orders, Financial Standing Orders, Financial Regulations, Code of Conduct, Anti-Fraud and Corruption Strategy and Whistle-blowing arrangements. Officer responsibilities and actions are controlled through the individual Department's Schemes of Officer Delegation.
 - Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training.
 - The effective and efficient use of resources and the securing of continuous improvement are achieved through a range of review processes. The Council has an impressive record of delivering efficiency savings making over £40m of efficiency savings since 2003/4. During 2009/10 the Council has delivered the first part of a comprehensive two year efficiency programme to deliver a balanced two year budget over the period 2009/11. The efficiency programme has been organised into six corporate programmes – People Management, Procurement, Property, Finance, Customer Services and ICT Change Strategy. Business/service planning is well established and work undertaken during 2009/10 has followed the corporate guidelines to deliver a more standard approach to this matter on a Council-wide basis. The financial planning and service planning processes have developed together during 2009/10 and the benefits will be realised in the service planning for the period from April 2011 onwards.
 - Ensuring that expenditure is lawful. The financial management of the Council is organised through a wide range of well-established processes and procedures which delivers strong financial control arrangements. The Council has in place a detailed budget planning process which includes detailed written procedures and which is supported by the Council's comprehensive Financial Standing Orders and Financial Regulations, which are reviewed annually and updated as necessary. The Executive Member(s) and CMT and DMT's receive and consider detailed financial information on a regular basis and this facilitates the decision-making process. Other features of the financial control environment include individual Department's Schemes of Delegation and the budget setting and Final Account Guidelines.
 - Performance management within the Council is considered through a range of review arrangements including external inspection bodies, external/internal audit reviews, annual reports for departments and specific services, and the detailed reporting of national and local performance indicators. In addition, departments compile regular performance management information/statistics in line with the corporate model which are fully accessible across the organisation through an electronic information management system. The Council also uses customer surveys to assess how we are viewed by residents/ service users and benchmarks services through a number of cross organisational fora.
 - Regular and detailed reports are considered by the Executive Members and by CMT, with regard to departmental and service specific performance. During 2009 CMT received regular updates of the recession dashboard, a monthly analysis of key measures and impacts of the recession in Camden – this was used to influence decision making at a corporate level. Monthly statistics measuring performance are maintained and these are considered by the relevant lead Member and by the relevant scrutiny committee on a quarterly basis.
 - Following the end of the CPA process in 2008, Camden has now fully participated in the first year of the new Comprehensive Area Assessment (CAA). The organization participated in the Area and Organizational assessments as well as undertaking a Use of Resources assessment. In 2009 it was announced that Camden's Use of Resources score across the range of assessments was one of the highest in the country achieving an overall score of 4 as well as receiving two green flags for outstanding performance in the areas of community safety and older people.
- Specific achievements in 2009/10 include:
- A review of the Finance function was carried out during the year which led to the establishment of an internal shared service for the finance function and a number of process changes. After consultation with staff and the unions a new structure was put in place which delivered cost savings through standardisation and simplification of existing processes, enhancing existing controls and building a more adaptable workforce, better equipped to face the future. The transformation exercise was subject to strict project management control and constant management oversight throughout. The new structure went live at the beginning of February. The scale and scope of the restructure was a risk to business continuity, but the transition has been managed smoothly and no disruption to the service provided by finance has been experienced;
 - Ongoing achievement of savings. NI 179 shows that £28.566m of ongoing efficiencies are set to be delivered up to the end of 2009-10, with a further £5.615m planned for 2010-11;

- Collection rates on Council Tax and Business rates have remained high despite the effect of the recession;
- Benefits processing rates have also remained high despite the recession ;
- securing thousands of jobs and homes and negotiating for sustainable regeneration with developers in the King's Cross redevelopment;
- maintaining a range of measures to help residents and local businesses manage the impact of the economic down-turn;
- reducing crime and anti-social behaviors, while retaining the value and color of parts of the borough such as Camden Town;
- safeguarding vulnerable children and young people by working with partner agencies to give an excellent range of high-quality preventative services;
- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- Incorporating good governance arrangements in respect of partnerships and other groups working as identified by the Audit Commission's report on the governance of partnerships (Governance Partnerships: Bridging the Accountability Gap, Audit Commission, 2005). Receiving the highest possible rating under the Comprehensive Area Assessment (CAA) and achieving two green flags for older peoples services and community safety, and
- In 2009, the communications team in CSP won the CIPR Excellence Award for in-house team of the year and local public service excellence award for internal magazine and internal communications.

4. Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control and details of the areas considered are set out below. The review of the effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit & Investigation's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Council has undertaken a review of its governance framework in accordance with best practice advice as published by CIPFA/SOLACE in meeting the requirements of the Accounts and Audit Regulations 2006. This involved quarterly meetings between the HIA and senior managers reviewing the outputs of Audit work and Governance self-assessments.

The review conducted has taken account of the methods employed by the Council in providing service-based assurance on the governance framework. Information utilised includes:

- Local Management Information Systems;
- Comprehensive Performance Assessment;
- Service Planning;
- External Audit reviews/reports;
- Internal Audit reviews/reports;
- Overview and Scrutiny arrangements;
- Audit committee reports;
- Reports from Inspectorates;
- Performance Indicator Information;
- Analysis of awards/accreditations;
- Residents/Staff surveys;
- A revised AGS framework which required all Directorates to complete a governance self-assessment against key areas of governance, and
- The IA team has taken part in a peer review with three peer authorities to ensure compliance with CIPFA best practice.

The review process has been successful in maintaining awareness of governance and control issues. The overall conclusion as contained in the HIA's annual report to the Audit Committee is that there is a sound control environment which is capable of identifying and addressing issues of control design and compliance.

5. Significant Governance Issues

No significant governance issues have been identified during the year although the following general issues have been highlighted by management, and will be carefully monitored during the year ahead:

- Ensuring a continued focus on local arrangements and the agendas and challenges these create for the Local Authority and partner agencies and ensuring these pressures are met in an organised way, with particular regard to co-ordination of multi-agency involvement;
- Improving the Council's focus on customers and citizens by providing better opportunities for residents to influence decision making;
- Asset management and the accounting arrangements for the Council's reporting of its property under the new IFRS regime will continue to be monitored;
- Management and accurate monitoring of the achievement of savings targets across the entire Council structure should be an ongoing priority. This is particularly important

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in terms of delivery of the Medium Term Financial Strategy during the economic downturn, and

- Maintaining robust control over the business as usual agenda, such as effective administration of Health and Safety requirements as well as maintaining good business continuity arrangements.

More general controls specific observations arising from the work of internal audit during the 2009/10 financial year indicate that there is, in some areas:


- an absence of compliance with procedures for some processes. A number of audit findings were derived from procedures omitting key controls, and
- a lack of compliance with the corporate risk management framework particularly around identifying fraud risks and ensuring mitigating actions are operating consistently.

Specific recommendations have been made in all audit reports and actions agreed to address any weaknesses. All recommendations will be followed up in 2010-11 as a matter of course.

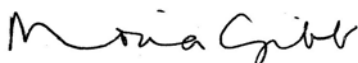
A fraud was identified during the year in regards to the activities of a school bursar who provided contracted services to seven schools and has been charged on two counts of defrauding two of the schools of a total of £65,000 by abuse of position. Control issues have been identified and actions agreed to address them.

6. Signed Agreement

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.



CLlr Nasim Ali
Leader of the Council
Date 29th September 2010



Moira Gibb CBE
Chief Executive
Date 24th September 2010

Statement of Accounting Policies

Basis of Preparation

The Statement of Accounts summarises the council's transactions for the 2009/10 financial year and its position at the year-end of 31 March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

The Accounts have been designed to give a "true and fair" view of the financial position of the Council and comparative figures for the previous financial year are provided.

The accounting concepts of 'materiality', 'accruals', 'going concern' and 'primacy of legislative requirements' have been considered in the application of accounting policies. In this regard the:

- materiality concept means that information is included where the information is of such significance as to justify its inclusion.
- accruals concept requires the non-cash effects of transactions to be included in the financial statement for the year in which they occur, not in the period in which the cash is paid or received.
- going concern concept assumes that the Council will continue in operational existence for the foreseeable future.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as stocks on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial

instrument rather than the cash flows fixed or determined by the contract.

- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

- Some elements of expenditure are accounted for on a cash basis, for example on-going service contracts. However this divergence from accounting practice does not have a material impact on the accounts.

Stocks

Issues from the Council's stores have been mainly charged on the basis of the current cost of goods in store. Stock in hand at the year-end is mainly shown at latest purchase price. Although stocks should be shown at the lower of cost and net realisable value, full compliance would not materially affect the value of the Council's assets.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2008 (BVACOP). The total absorption costing principle is used, with the full cost of overheads and support services are shared between users in proportion to the benefits received (the main bases for apportionment are actual usage, adjusted gross expenditure and headcount), with the exception of:

- Corporate and Democratic Core – costs relating to the council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the council and the services that it provides for more than one financial year. This includes assets held under finance leases, which have been capitalised and included in the Balance Sheet on the basis of the outstanding obligation to make future rental payments. Schemes that cost less than £10,000 are classified as de minimis and these schemes are classed as revenue rather than capital expenditure. In addition, expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- > investment properties and assets surplus to requirements; valued at market value or net realisable value.
- > dwellings, other land and buildings, vehicles, plant and equipment; valued at net realisable value in existing use.
- > specialised operational properties (e.g. schools) ; valued at depreciated replacement cost.
- > infrastructure assets and community assets; valued at depreciated historical cost.

Assets included in the Balance Sheet are valued on a rolling 5-year programme or when there has been a material changes in the value. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account

- otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Proceeds in excess of £10,000 from the sale of assets are categorised as capital receipts, including receipts from the sale of assets and repayment of house purchase advances that have been applied in accordance with the Local Government Act 2003.

A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

Depreciation

Depreciation is provided for on all assets with a determinable finite life (except community assets, freehold investment assets and freehold land), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- dwellings – straight-line allocation over 51 years
- other buildings – straight-line allocation based on an individual asset basis
- vehicles, plant and equipment – straight-line allocation over 3-5 years
- information technology assets – straight-line allocation over 3-5 years

- infrastructure – straight-line allocation over 40 years.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the council (e.g. software licences) is capitalised when it will bring benefits to the council for more than one financial year. These assets are depreciated over three years.

Charges to Revenue in respect of Capital

Service revenue accounts, the Housing Revenue Account and central support services are charged with a capital charge for all capital assets used in the provision of services. The charge consists of the annual provision for:

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off (accumulated gains in the Revaluation Reserve are applied first and then residual losses are charged to the income and expenditure account)
- amortisation of intangible fixed assets attributable to the service.

The council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance, or loans fund principal charges; known as the Minimum Revenue Provision). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

A charge is also made to the HRA from the General Fund equivalent to statutory capital financing charges. It is calculated in a manner determined by the Secretary of State in accordance with the provisions of Item 8 of part II of Schedule 4 to the Local Government and Housing Act 1989 (the Item 8 determination).

Capital charges have a neutral impact on the amounts required to be raised from local taxation, as they are reversed out in the Statement of Movement on the General Fund Balance and

replaced by the statutory Minimum Revenue Provisions for debt repayment.

The latter figure is calculated on a prudent basis in accordance with statutory guidance and the provisions of part 6 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, and the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008. The principal repayment is 4% of the Capital Financing Requirement at the start of the financial year for non-housing advances. The HRA is no longer required to make a minimum revenue provision

Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax or revenue outturn.

Government Grants and Contributions

Revenue

Whether paid on account, by instalments or in arrears, government grants and third party contributions (including donations) are recognised as income in the year that the Council:

- satisfies the conditions of entitlement to the grant/contribution,
- there is a reasonable assurance that the monies will be received, and
- the expenditure for which the grant is given has been incurred.

Revenue grants are matched in service revenue accounts with the expenditure to which they relate within the net cost of service in the Income and Expenditure Account. Grants to cover general expenditure, such as Revenue Support Grant and Area Based Grant are credited at the foot of the Income and Expenditure account after net operating expenditure.

Capital

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with, and there is reasonable assurance that the grant or contribution will be received. Where the acquisition of an identifiable fixed asset is financed either wholly or in part by a government grant or other contributions, the amount of the grant or contribution is credited to the Government Grants Deferred Account. Amounts are released to the relevant service revenue account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies, in addition departments are permitted to carry forward amounts but only in specific circumstances. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance.

Revenue Reserves

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and that do not represent usable resources for the council – these reserves are explained elsewhere within these accounting policies.

Capital Reserves

There are three capital reserves in the balance sheet:

- the Revaluation Reserve, which records accumulated gains on fixed assets arising from increases in asset values and depreciation charges that have been incurred only because the asset has been revalued. When an asset is sold, the Revaluation Reserve balance is written out to the Capital Adjustment Account. The balance on the Reserve therefore represents the amount by which the current value of fixed assets is greater because they are carried at revalued amounts rather than depreciated historical cost.

- the Capital Adjustment Account, which comprises the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairment or written off on disposal and resources that have been set aside to finance capital expenditure. The balance on the account represents timing differences between historical cost that has been consumed and the amount that has been financed.

- the Usable Capital Receipts Reserve, which represents receipts from disposals that are available for financing capital schemes. Receipts are used in the year the income is received and any Balance remaining on the Reserve is carried forward to finance capital expenditure in a future accounting period.

With the exception of the Usable Capital Receipts Reserve these accounts do not constitute a funding resource available to the Council, rather they are balanced within the Balance Sheet by fixed assets.

The purpose of each revenue and capital reserve is set out in note 47 to the Balance Sheet.

Provisions

Provisions are made where an event has taken place that gives the council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account. Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

The council maintains three provisions, one regarding insurance, another regarding industrial leases and a miscellaneous provision for amounts owed following litigation.

As the council operates a number of services that generate income, the council maintains a number of Bad Debt Provisions that enable it to fairly reflect within the accounts an estimate of the debt that may be uncollectable. Each Bad Debt Provision has been calculated based on an approach that is reflective of the risk of non-payment within each service.

Investment Income

Income from investments placed with external cash managers has been taken into account in the General Fund. All monies placed with these managers were returned to the council in the year.

Private Finance Initiative (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. As the council is deemed to control the services that are provided under its PFI schemes and as ownership of the fixed assets will pass to the council at the end of the contracts for no additional charge, the council carries the fixed assets used under the contracts on the Balance Sheet.

The original recognition of these fixed assets was balanced by the recognition of a liability for amounts

due to the scheme operator to pay for the assets. For the Haverstock Scheme and the Chalcots Council Dwellings Schemes, the liability was written down by an initial capital contribution of £4.0m and £9.791m respectively.

Fixed assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the council.

The amounts payable to the PFI operators each year are analysed into five elements:

1. fair value of the services received during the year. This is debited to the relevant service in the Income and Expenditure Account
2. finance cost, being an interest charge of 8.42% for Haverstock and 11.01% for Chalcots PFI Schemes on the outstanding Balance Sheet liability. This is debited to Interest Payable and Similar Charges in the Income and Expenditure Account.
3. contingent rent, being increases in the amount to be paid for the property arising during the contract. This is debited to Interest Payable and Similar Charges in the Income and Expenditure Account.
4. payment towards liability, being amounts applied to write down the Balance Sheet liability towards the PFI operator
5. lifecycle replacement costs, recognised as fixed assets on the Balance Sheet.

Pension

Employees of the council are members of three separate pension schemes:

a) The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF). The employer's pension cost charged to the accounts is fixed by the contribution rate set by the DCSF on the basis of a notional fund. This is unchanged from last year

b) Ex ILEA – This is a funded scheme administered by the London Pensions Fund Authority (LPFA). The amount paid to LPFA is fixed by the contribution rate set by their actuaries in accordance with the Local Government Pension Scheme.

c) Other Employees – Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme. The amounts paid to the fund are fixed by a rate set by the Council's actuary at the triennial valuation.

All schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the education service revenue account is

charged with the employer's contributions payable to teachers' pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

1) The liabilities of the Camden pension scheme attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

2) Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bond). The indicator used is the iBoxx Sterling Corporates AA Over 15 years index.

3) The assets of the Camden pension fund attributable to the council are included in the Balance Sheet at their fair value:

- > quoted securities – current bid price
- > unquoted securities – professional estimate
- > unlisted securities – current bid price
- > property – market value.

4) The change in the net pensions liability is analysed into seven components:

- > current service cost, being the increase in liabilities as result of years of service earned this year. This is allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked.
- > past service cost, being the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. This is debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
- > interest cost, being the expected increase in the present value of liabilities during the year as they move one year closer to being paid. This is debited to Net Operating Expenditure in the Income and Expenditure Account.
- > expected return on assets, being the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return. This is credited to Net Operating Expenditure in the Income and Expenditure Account.
- > gains/losses on settlements and curtailments, being the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees. This is debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
- > actuarial gains and losses, being changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This is debited to

the Statement of Total Recognised Gains and Losses

> contributions paid to the Camden pension fund, being cash paid as employer's contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

Discretionary Benefits

The council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement.

However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to

the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

Financial Assets

Financial assets are classified into two types:

> loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

> available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

However, the council has a few loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Income and Expenditure Account to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for

the instrument. Where there are no fixed or determinable payments, income (e.g., dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council. Assets are maintained in the Balance Sheet at fair value.

Values are based on the following principles:

- > instruments with quoted market prices, valued at the market price
- > other instruments with fixed and determinable payments, valued at discounted cash flow analysis
- > equity shares with no quoted market prices, valued at independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Instruments Entered Into Before 1 April 2006

The council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed.

VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

Leases

Finance Leases

The council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the council. Rentals payable are apportioned between:

- > a charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a

- tangible fixed asset – the liability is written down as the rent becomes payable), and
- > a finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

Income from operating leases where the Authority is the lessor are charged to the I&E. The asset remains on the balance sheet and is depreciated in accordance with the depreciation policy for that category of asset and in line with the SORP

Contingent Liabilities

Contingent liabilities are possible obligations that may require a payment or a transfer of economic benefit but for which there is no certainty regarding amount or date of settlement (unlike Provisions). They are disclosed in the notes to the accounts and accruals are not made for contingent liabilities and no adjustments are included within the accounting statements.

Foreign Currency Translations

Any income or expenditure arising from a transaction denominated in a foreign currency is included within the accounts, and translated into £ sterling, using the exchange rate in operation on the day on which the transaction occurred.

Interests in Companies and Other Entities

The Council has fully complied with SORP and reviewed its requirements in relation to FRS2 "Accounting for Subsidiary Undertakings" and the provisions of FRS9 "Associates and joint ventures". After consideration of all the criteria the Council has determined that the consolidation of all related organisations would not have a material effect on the Council's financial position. Consequently, no group accounts have been prepared.

INCOME AND EXPENDITURE ACCOUNT for the year ended 31 March 2010

		2009/10 Gross Expenditure	2009/10 Gross Income	2009/10 Net Expenditure	Restated 2008/09 Net Expenditure
	Notes	£'000	£'000	£'000	£'000
Continuing services					
Adult Social Care	12	108,964	(22,502)	86,462	83,626
Central Services	4	50,710	(36,369)	14,341	5,674
Children's and Education Services	15	276,454	(207,267)	69,187	112,105
Cultural, Environmental Regulatory and Planning Services	1	106,389	(32,545)	73,844	80,476
Highways and Transport Services	2	49,829	(42,628)	7,201	1,404
Housing Services – non HRA	3	252,831	(207,548)	45,283	17,314
Housing Services – HRA		146,923	(195,401)	(48,478)	199,719
Corporate and Democratic Core		7,543	(564)	6,979	6,767
Non-Distributed Costs		1,223	0	1,223	9,913
Net Cost of Service	6 – 10	1,000,866	(744,824)	256,042	516,998
Gains on disposal of fixed assets				(12,918)	(11,069)
Levies by other authorities	11			1,939	1,948
Deficit transferred from trading accounts				51	(672)
Interest payable				30,526	40,175
Contribution to Housing Pooled Capital Receipts				1,627	2,458
Interest and investment income				(8,496)	(16,974)
Pensions Interest Cost and expected return on Pensions Assets				27,184	16,234
Net operating expenditure				295,955	549,098
Precept demanded from the Collection Fund				(96,148)	(95,616)
Prior Year Collection Fund surplus				(2,093)	910
General Government grants	5			(80,431)	(33,489)
Contribution from NNDR pool	14			(132,736)	(140,850)
Total income from grant and taxpayers				(311,408)	(269,045)
Deficit/(Surplus) for the year				(15,453)	280,053

The formal requirement to report the council's financial position in these Accounts through the Income and Expenditure Account and Statement of Movement on the General Fund Balance is different to the presentation that the council uses in its management and budget reports that set out spending and income in line with the council's management structure. Within the Director of Finance's foreword on page 6 is a table showing the position for the year in a manner more familiar to those used to seeing management reports. This excludes a number of entries that are required to be included within the Net Cost of Service figure on the Income and Expenditure Account but are reversed in the Statement of Movement on the General Fund Balance so as not to impact on the council's budget requirement and council tax.

The comparative figures for 2008/09 have been restated where necessary due to prior year adjustments that are shown in note 53.

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

for the year ended 31 March 2010

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the period. The Council, however, is required to raise council tax on a different accounting basis. The main differences are: -

Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.

The payment of a share of housing capital receipts to the Government is counted as a loss in the Income and Expenditure Account, but is met from the useable capital receipts balance, not from council tax.

Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the council tax that it raised for the year, taking into account the use of existing reserves and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

	Note	2009/10 £'000	Restated 2008/09 £'000
Movement on the General Fund Balance			
Deficit/(Surplus) on the Income and Expenditure Account		(15,453)	280,053
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	16	14,173	(273,792)
Increase in General Fund Balance for the Year		(1,280)	6,261
General Fund balance brought forward		(11,574)	(17,835)
General Fund balance carried forward		(12,854)	(11,574)
Schools Balances			
Schools balances brought forward		(7,645)	(8,141)
Deficit/(Surplus) for the year		59	496
Schools balances carried forward		(7,586)	(7,645)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 March 2010

	Notes	2009/10 Net Expenditure £'000	Restated 2008/09 Net Expenditure £'000
Surplus or (Deficit) on the Income and Expenditure Account for the year		15,453	(280,053)
Surplus or (Deficit) arising on revaluation of fixed assets	34	223,923	(47,574)
Actuarial gains and (losses) on pension fund assets and liabilities		(332,624)	(107,100)
Other gains and losses		247	181
Total recognised losses for the year		(93,001)	(434,546)

London Borough of Camden – Statement of Accounts 2009/10

BALANCE SHEET as at 31 March 2010

		31 March 2010 £'000	31 March 2010 £'000	Restated 31 March 2009 £'000	Restated 31 March 2009 £'000
Assets					
Intangible assets	22		1,538		1,193
Tangible Fixed assets	17,18,19,20,21,23				
Operational Assets					
Council Dwellings		2,245,725		2,023,856	
Other land and buildings		713,982		682,092	
Vehicles, plant, furniture and equipment		2,830		1,828	
Infrastructure assets		172,733		159,645	
Community assets		15,990		15,897	
Non-operational assets					
Investment assets		175,360		171,919	
Assets under construction		31,382		20,466	
Surplus assets held for disposal		9,526	3,367,528	10,699	3,086,402
Long-Term Investments	24		59,480		121,802
Long-term debtors	25		1,012		1,118
Total long-term assets			3,429,558		3,210,515
Current assets	26				
Stocks		274		225	
Debtors and payments in advance		85,291		66,961	
Investments	30-33	149,947		115,411	
Cash and bank		10,209	245,721	13,698	196,295
Less current liabilities	27				
Borrowing repayable within one year		(25,046)		(29,611)	
Creditors		(201,600)		(185,555)	
Bank overdraft		0	(226,646)	(2,908)	(218,074)
Net current assets/(liabilities)			19,075		(21,779)
Total assets less current liabilities			3,448,633		3,188,736
Long-term loans outstanding	30-33	(420,003)		(417,527)	
Capital grants deferred	28	(122,073)		(110,939)	
Deferred capital income		(913)		(1,015)	
Provisions	29	(9,990)		(8,090)	
Pension Liability	46	(700,796)		(363,306)	
Total long-term liabilities			(1,253,775)		(900,877)
Total assets less liabilities			2,194,858		2,287,859

London Borough of Camden – Statement of Accounts 2009/10

BALANCE SHEET as at 31 March 2010 (continued)

		31 March 2010	31 March 2010	Restated 31 March 2009	Restated 31 March 2009
	Notes	£'000	£'000	£'000	£'000
Financed by					
Revaluation Reserve	34		289,118		68,954
Collection Fund Adjustment Account			944		1,764
Capital Adjustment Account	35		2,435,555		2,392,466
Financial Instruments Adjustment Account			(5,919)		(7,041)
Useable Capital Receipts	36		3,098		0
Major Repairs Reserve	37		0		0
Earmarked reserves	38		82,898		102,675
Pension Reserve	46		(700,796)		(363,306)
Balances					
- HRA			69,520		73,128
- Locally Managed Schools	39		7,586		7,645
- General Balances			12,854		11,574
Total equity	40,44		<u>2,194,858</u>		<u>2,287,859</u>



Michael O'Donnell, CPFA
Director of Finance
and Chief Finance Officer
Date 22nd September 2010

CASH FLOW STATEMENT for the year ended 31 March 2010

	Notes	2009/10 £'000	2009/10 £'000	Restated 2008/09 £'000	Restated 2008/09 £'000
Net cash flow from revenue activities	48		(51,710)		(95,752)
Servicing of finance					
Cash outflows - interest paid		22,389		25,921	
- finance lease interest		0		0	
Cash inflows - interest received		(11,138)		(15,936)	
Net cash outflow from the servicing of loans			11,251		9,985
Capital activities					
Cash outflows					
Purchase of fixed assets		111,557		74,654	
Other capital cash payments					
Deferred charges			111,557		74,654
Cash inflows					
Sale of fixed assets		(24,076)		(19,846)	
Capital grants received		(20,493)		(11,177)	
Other capital cash receipts		(7,722)	(52,291)	(2,002)	(33,025)
Net cash (inflow)/outflow from capital activities			59,266		41,629
Net cash inflow from activities before financing	49,50		18,807		(44,138)
Management of liquid resources – change in short term investments	51		(14,553)		(6,655)
Financing					
Long/short-term loans raised		(119,573)		(401,941)	
Long/short-term loans repaid		115,900	(3,673)	451,681	49,740
Net cash outflow from financing and liquid resources			(18,226)		43,085
Net (increase)/decrease in cash	52		581		(1,053)

Notes to the Accounts

The Income and Expenditure Account

1. Street Markets (included within Cultural, Environmental, Regulatory and Planning Services)

The Council operates several street markets. The financial results were as follows:

	2009/10 £'000	2008/09 £'000
Expenditure	1,031	1,090
Income from fees and charges	(830)	(821)
Deficit for the year	201	269
Deficit brought forward	2,084	1,815
Deficit carried forward	2,285	2,084

Under laws governing the operation of these markets, income from fees and charges may be applied only to expenditure on the maintenance of the markets. Income from all licence holders, both annual and temporary, has been brought into account.

2. On-street Parking (included within Highways and Transport Services)

The surplus arising from on-street parking facilities is used to defray expenditure on qualifying costs incurred by the Council. Under the legislation the application of any surplus is limited to meeting the cost of providing and maintaining parking facilities, highway improvement schemes, highway maintenance and public passenger transport services. Any amount not so used may be carried forward in a parking reserve account to the next financial year.

The surplus from on-street parking in 2009/10 was £10.282m (£14.043m in 2008/09). This was applied to defray revenue expenditure as follows:

	2009/10 £'000	2008/09 £'000
Income		
Surplus from on-street parking	(10,282)	(14,043)
Expenditure		
Off-street parking	0	935
Highways and traffic improvement:		
- revenue expenditure	0	1,958
- capital expenditure	0	0
- capital charges	5,002	4,699
Concessionary fares and Taxicard scheme	5,280	6,451
Transport planning costs	0	0
Home to School transport	0	0
Highways maintenance	0	0
Total expenditure defrayed from income from on-street parking	10,282	14,043

Notes to the Accounts (continued)

The Income and Expenditure Account

3. Expenditure on Housing Benefits (included within Housing Services)

	2009/10 £'000	2008/09 £'000
Gross rent allowances	94,199	74,528
Less subsidy income	<u>(95,066)</u>	<u>(75,178)</u>
Net cost of rent allowances	<u>(867)</u>	<u>(650)</u>
Gross cost of council tax benefits	26,411	25,320
Less subsidy income	<u>(26,704)</u>	<u>(25,597)</u>
Net cost of council tax benefits	<u>(293)</u>	<u>(277)</u>
Gross cost of rent rebates	74,673	71,783
Less subsidy income	<u>(75,325)</u>	<u>(71,820)</u>
Net cost of rent rebates	<u>(652)</u>	<u>(37)</u>
Net cost of all Housing Benefits to the General Fund	<u>(1,812)</u>	<u>(964)</u>

4. Costs of Audit (included within Central Services)

The following fees were incurred during the year relating to external audit and inspection. In 2009/10 these were due to the Audit Commission, the Council's Appointed Auditors, in respect of nearly all services. Some fees were due to Deloitte and Touche LLP, the previous Appointed Auditors, in respect of objections to the prior year's accounts:

	2009/10 £'000	2008/09 £'000
External Audit Services	388	488
Statutory Inspection	20	27
Certification of grant claims and returns	<u>131</u>	<u>172</u>
Total	<u>539</u>	<u>687</u>

5. General Government Grants

	2009/10 £'000	Restated 2008/09 £'000
Revenue Support Grant	30,637	19,607
LABGI	330	388
Area Based Grant	17,072	13,407
Housing & Planning Delivery Grant	152	87
Supporting People Grant*	32,240	0
Total	<u>80,431</u>	<u>33,489</u>

*Supporting People Grant for 2009/10 was redesignated as a general grant. This is a change to previous years where the grant had been designated as a specific grant and was included in the service expenditure within the Net Cost of Services.

Notes to the Accounts (continued)

The Income and Expenditure Account

6. Remuneration of Senior Staff and Members

The total sum paid to Members in 2009/10 was £946,824 (£905,110 in 2008/09, restated). The number of staff receiving annual remuneration in excess of £50,000 is shown below. This excludes employer's pension contributions but includes benefits in kind, so far as they are chargeable to UK income tax. Also included are compensation payments for loss of office and other payments receivable on the termination of employment, even where these are not taxable.

2009-10

£	£	Camden	Schools	TOTAL
50,000	54,999	88	98	186
55,000	59,999	53	27	80
60,000	64,999	27	22	49
65,000	69,999	21	17	38
70,000	74,999	15	6	21
75,000	79,999	6	4	10
80,000	84,999	5	7	12
85,000	89,999	2	1	3
90,000	94,999	2	1	3
95,000	99,999	3	0	3
100,000	104,999	2	1	3
105,000	109,999	5	3	8
110,000	114,999	5	0	5
125,000	129,999	0	1	1
130,000	134,999	1	0	1
140,000	144,999	1	0	1
150,000	154,999	1	0	1
160,000	164,999	2	0	2
210,000	214,999	1	0	1
		240	188	428

2008-09 Restated

£	£	Camden	Schools	TOTAL
50,000	54,999	87	98	185
55,000	59,999	42	25	67
60,000	64,999	32	23	55
65,000	69,999	11	13	24
70,000	74,999	6	7	13
75,000	79,999	7	12	19
80,000	84,999	4	0	4
85,000	89,999	6	0	6
90,000	94,999	4	2	6
95,000	99,999	2	1	3
100,000	104,999	4	0	4
105,000	109,999	6	2	8
110,000	114,999	4	0	4
115,000	119,999	3	0	3
120,000	124,999	1	1	2
125,000	129,999	1	0	1
135,000	139,999	1	0	1
145,000	149,999	1	0	1
150,000	154,999	1	0	1
155,000	159,999	1	0	1
225,000	229,999	1	0	1
325,000	329,999	1	0	1
		226	184	410

Notes to the Accounts (continued)

The Income and Expenditure Account

6. Remuneration of Senior Staff and Members (cont'd)

Senior Officers whose salary is £150,000 or more per year:

No	Name	Job Title	Salary £	Fees & Allowances £	Performance Award £	Total Remuneration excluding pension contributions 2009/10 £	Employers Pension £
1	Gibb M	Chief Executive	199,961	-	11,481	211,442	29,998
2	Stopard R A	Director of Culture and Environment	151,734	-	8,712	160,446	22,783

Senior Officers with Salary between £50,000 and £150,000 per year:

No	Job Title	Notes	Salary £	Fees & Allowances £	Performance Award £	Total Remuneration excluding pension contributions 2009/10 £	Employers Pension £
1	Director, Children, Schools and Families		148,400	-	8,904	157,304	21,812
2	Director, Finance		146,864	-	10,280	157,144	23,009
3	Director, Organisation Development and Deputy Chief Executive		126,315	12,632	10,105	149,052	20,585
4	Deputy Director, Housing Adult Social Care		106,172	10,617	-	116,789	17,450
5	Assistant Director, Finance and School Support (Now Assistant Director, Strategy and Resources Children Schools and Families)		105,300	-	6,318	111,618	15,815

Notes to the Accounts (continued)

The Income and Expenditure Account

6. Remuneration of Senior Staff and Members (cont'd)

No	Job Title	Notes	Salary £	Fees & Allowances £	Performance Award £	Total Remuneration excluding pension contributions 2009/10 £	Employers Pension £
6	Assistant Director, Education Access and Inclusion		104,156	-	5,208	109,364	15,501
7	Assistant Director, Adult Social Care		103,978	-	6,239	110,217	15,754
8	Assistant Director, Culture and Sport		103,272	-	5,164	108,436	15,229
9	Assistant Director, Finance and Resources, Housing Adult Social Care		102,961	-	5,148	108,109	15,334
10	Assistant Director, Finance and Head of Property Services		102,880	441	7,202	110,523	15,588
11	Assistant Director, Public Realm and Sustainability		101,234	-	5,489	106,723	15,125
12	Assistant Director, Corporate ICT		100,223	-	6,013	106,236	14,903
13	Head of Legal Services		99,152	9,915	4,958	114,025	17,237
14	Assistant Director, Housing and Adult Social Care (Now Assistant Director, Strategic Planning and Joint Commissioning)		98,072	-	5,884	103,956	14,596
15	Deputy Director of Finance		96,990	9,699	5,819	112,508	15,800
16	Assistant Director, Revenues		93,236	-	4,662	97,898	13,621
17	Assistant Director, Strategy and Resources, Culture & Environment		92,826	-	5,570	98,396	14,036
18	Assistant Director, Children's Social Care		90,967	-	5,458	96,425	13,659
19	Assistant Director, Housing Management		90,459	-	4,523	94,982	13,466

Notes to the Accounts (continued)
The Income and Expenditure Account

6. Remuneration of Senior Staff and Members (cont'd)

No	Job Title	Notes	Salary £	Fees & Allowances £	Performance Award £	Total Remuneration excluding pension contributions 2009/10 £	Employers Pension £
20	Assistant Director, Planning and Public Protection		88,492	-	3,576	92,068	12,566
21	Assistant Director, Needs and Access (acting up to Director - Housing and Adult Social Care) - A	Note 1	74,101	14,214	7,129	95,444	18,958
22	Head of Strategy Performance and Information (acting up to Assistant Director Partnerships, Strategy & Commissioning)		69,989	-	-	69,989	12,008
23	Director, Housing and Adult Social Care - B	Note 1	67,100	-	-	67,100	9,528
24	Assistant Director, Learning and School Effectiveness (Now Assistant Director, Achievement, Children Schools and Families)	Note 2	60,020	-	4,875	64,895	8,523
25	Assistant Director, Community Safety - A	Note 3	50,015	-	-	50,015	7,782
26	Head of Strategy & Commissioning (acting up to Assistant Director - Needs and Access)		42,673	-	2,132	44,805	12,063
27	Head of Public Realm and Transport Policy (Acting up to Assistant Director, Public Realm & Sustainability)		25,196	2,520	-	27,716	9,894
28	Assistant Director, Community Safety - B	Note 3	20,565	-	-	20,565	2,920

Note 1 Director - Housing and Adult Social Care - **A** with an annualised salary of £136,740 was in the post until 25.09.2009 and was replaced by Director - Housing and Adult Social Care - **B** on 28.09.2009 at an annualised salary of £132,000.

Note 2 Appointed as Assistant Director - Learning and School Effectiveness on 20.08.2009 and the annualised salary was £97,500.

Note 3 Assistant Director - Community Safety - **A** with an annualised salary of £85,333 was in the post until 30.11.2009 and was replaced by Assistant Director - Community Safety - **B** on 04.01.2010 at an annualised salary of £85,000.

Note 4 The performance award column is consistent with the 'bonus' categorisation included in 2009 Statutory Instrument 3322

Note 5 Camden made no payments in the following categories: expense allowances, compensation for loss of office, benefits in kind, other emoluments.

Notes to the Accounts (continued)
The Income and Expenditure Account

7. Related Party Transactions

The council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

Central government has effective control over the general operations of the council – it is responsible for providing the statutory framework, within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. housing benefits). Details of transactions with government departments are set out in a note relating to the Cash Flow Statement. In addition, a number of transactions with related parties are disclosed elsewhere in the notes to these accounts.

With regard to the 2009/10 disclosures received from:

- officers and a review of the Register of Interests, those officers have not declared any interests.
- members and a review of the Register of Interests, there are organisations that members have declared an interest in but also where Camden has provided financial support to or the organisation has provided services to the council. Due consideration has been given to the member disclosures made in relation to the materiality of transactions between the council and the organisation concerned and these are listed below.

London Borough of Camden – Statement of Accounts 2009/10

Notes to the Accounts – note 7 (continued)

The Income and Expenditure Account

Organisations from Register of Interests	Spend by Camden (£)	Brief Description of Major Items of Spend	Member by Name	Members Declared Position within Organisation
Camden & Islington NHS Foundation Trust	3,337,958	Camden Pooled Funds and Delegated budgets.	James King Heather Johnson	Governor Governor
Umbrella	1,331,072	Funding that was passported through Camden to support organisation	Kirsty Roberts	Observer on Board
Tavistock and Portman Foundation NHS Trust	660,296	Payments in respect of Drug and Mental Health services provided via Service Level Agreements	Roger Freeman	None stated
Westminster Kingsway College	640,961	Support for the Adult Community Learning Programme	Russell Eagling	None stated
Corams Fields	601,059	Grants in relation to Youth and Negotiated Funding Agreement	Julian Fulbrook Brian Woodrow	Custodian Trustee Co-opted member
Voluntary Action Camden	548,655	Project Monitoring of Children's Services and Community Advisor	Ralph Scott	None stated
City of Westminster (Supplemental List)	520,827	Reimbursement for Funded Nursing Care costs	Roger Robinson	Former Magistrate
St James House	482,783	Support for Voluntary Sector Payments Job in Mind and the IPS contract	Penelope Abraham	None stated
Castlehaven Management Board	475,907	Grant for Senior YIP programme and Negotiated Funding Agreement	Patricia Callaghan	Observer
Camden Chinese Community Centre	387,489	Funding for Chinese House Bound and Negotiated Funding Agreement.	Linda Chung	None stated
Highgate Newtown Community Centre	383,234	Funding for Negotiated Funding Agreement	Maya De Souza	Member of management committee
King's Cross Brunswick Neighbourhood Association	334,536	Support of refurbishment costs for Marcham Community Centre and Negotiated Funding Agreement	Nasim Ali	None stated

Notes to the Accounts – note 7 (continued)

The Income and Expenditure Account

Organisations from Register of Interests	Spend by Camden (£)	Brief Description of Major Items of Spend	Member by Name	Members Declared Position within Organisation
Lee Valley Regional Park Auth.	289,408	Annual Levy Fee	Russell Eagling	None stated
Bengali Workers' Association	254,242	Funding for Negotiated Funding Agreement	Nasim Ali	None stated
Queen's Crescent Community Association	234,906	Sports changing facility	Jill Fraser	Trustee
Brandon Centre Management Committee	217,989	Community work - Multisystemic Therapy	Penelope Abraham	None stated
Camden Society	200,089	Funding for Supported Living Block of flats	Patricia Callaghan	Observer
South Hampstead and Kilburn Partnership	198,138	Local Public Service Agreement Capital Youth Grant and funding for South Hampstead and Kilburn Community Partnership - Alexandra Resource Centre	David Abrahams	None stated
Plot 10 Playgroup Management Committee	132,484	Non Statutory Organisation Grant for Play Project	Roger Robinson	Member
Islington Primary Care Trust	126,608	Funding for Borough-Wide Speech & Language Therapists and dietetics Service Level Agreement	Anna Stewart	Deputy Director, Strategy and Commissioning
Mary Ward Legal Centre	124,254	Managing Debt in Recession	Maya De Souza	Member of management committee
Abbey Community Centre	123,712	Negotiated Funding Agreement for Community Based Forest Management	David Abrahams	None stated
Working Men's College	117,915	Provision of Arts and Design programme for adult community	Roger Robinson	Governing Body
West Euston Partnership	114,561	Funding for Negotiated Funding Agreement	Rebecca Hossack Heather Johnson	Director None stated Observer
Camden Volunteer Centre	106,948	Funding for Community Based Forest Management and volunteering strategy implementation community project	Janet Grauberg	

Notes to the Accounts – note 7 (continued)

The Income and Expenditure Account

Organisations from Register of Interests	Spend by Camden (£)	Brief Description of Major Items of Spend	Member by Name	Members Declared Position within Organisation
University College Hospital Trust	94,175	Salary payments for agency staffs and nurses	Roger Freeman	None stated
Hampstead Theatre Board	91,713	Negotiated Funding Agreement for Community Based Forest Management Funding for Community Based Forest Management and drop in community work	John Bryant Dawn Somper Flick Rea	Observer member None stated Observer member
Central London Arts	88,725	Funding for Community Based Forest Management and community project	Russell Eagling	Observer
Dragon Hall Community Centre Trust	82,203	Legal support - Practising Certificates	Sue Vincent	None stated
The Law Society	76,535		Maya De Souza	None stated
	12,379,382			

London Borough of Camden – Statement of Accounts 2009/10

Notes to the Accounts – note 7 (continued)

The Income and Expenditure Account

The Council:

- has also provided one of the housing associations with loan guarantees. The value of the loans in question was estimated at £0.250m at 31 March 2010 (£0.658m in 08/09).
- received £10.908m from local Health Trusts during the year for the provision of combined health and community care services.

This comprised:

	2009/10 £'000	2008/09 £'000
Camden Primary Care Trust	9,579	9,458
Other Primary Care Trusts	252	266
Camden & Islington Mental NHS Foundation Trust (Mental Health & Social Care)	1,077	849
Total	10,908	10,573

- contributes to the LB Camden Pension Fund and during the year the council has paid £34.994m (£34.771m in 08/09) into the fund in respect of the employer's pension obligations.
- acts as lead borough and financial advisor:
 - to the North London Waste Authority (NLWA). NLWA has seven participating boroughs and each borough can appoint up to two members to the board.
 - the London Committee for Action Against Fraud (LCAAF) and the London Ecology Unit (LCU).

In 2009/10 the council paid £9.126m to the NLWA, LCAAF and LCU (£7.920m in 2008/09) and received £0.672m (£1.071m in 2008/09). At 31 March 2010 it held £23.398m on behalf of the three bodies (£16.712m at 31 March 2009) which is included in the cash at bank balances and as temporary loans to the Council in the accounts.

8. Leasing

Operating Leasing

Operating leasing where the Council is the Lessee- Vehicles, Plant and Equipment:

	2009/10 £'000	2008/09 £'000
Lease Rentals		
Vehicles	1,143	742
IT Equipment	65	125
Other	53	445
Total	1,261	1,312

The amount next year the authority is committed to pay in respect of leases expiring: -

	2009/10 £'000
Within one year	102
Within two to five years	731
In more than five years	0
Total	833

Operating leasing where the Council is the Lessee- Properties:

	2009/10 £'000
Lease Rentals	
Amount payable in respect of:	
Operational Land and Buildings (GF)	
Operational non-residential (HRA)	
Operational residential (HRA)	7,879
Total	7,879

The amount next year the authority is committed to pay in respect of leases expiring:

	2010/11		
	excl. HRA residential £'000	HRA residential £'000	Total £'000
Within one year	23	1,372	1,395
Within two to five years	2,971	2,210	5,181
In more than five years	37	3,014	3,051
	3,031	6,596	9,627

Operating leasing where the Council is the Lessor – Properties:

	2009/10 £'000
Amount receivable in respect of:	
Non-operational Land and Buildings (GF)	5,603
Non-operational non-residential (HRA)	7,810
	13,413

Notes to the Accounts - Note 8 (continued)

The Income and Expenditure Account

Value of Assets held for use in operating leases:	31 March
	2010
	£'000
Non-Operational Land & Buildings (GF)	
- Gross book Value	88,237
- Less accumulated depreciation	(85)
- Net Book Value	88,152
Non-Operational non-residential (HRA)	
- Gross book Value	87,267
- Accumulated depreciation	0
- Net Book Value	87,267

Finance Leasing

Finance leasing where the Council is the Lessee:

Lease Rentals	2009/10	2008/09
	£'000	£'000
Non-operational land and buildings	3	10
Plant and Equipment	47	50
	50	60
Comprising:		
Repayments	24	29
Financing Charges	26	31
	50	60

Outstanding rentals on these finance leases at 31 March 2010, were as follows:

	£'000
Due within one year	42
Due within two to five years	52
Due in more than five years	9
	103

9. Private Finance Initiatives

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. As the council is deemed to control the services that are provided under its PFI schemes and as ownership of the fixed assets will pass to the council at the end of the contracts for no additional charge, the council carries the fixed assets used under the contracts on the Balance Sheet.

The original recognition of these fixed assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. For the:

- Haverstock School PFI, the liability was written down by an initial capital contribution of £4.0m.
- Chalcots Council Dwellings Refurbishment PFI, the liability was written down by capital contributions of £9.791m

Fixed assets recognised on the Balance Sheet are re-valued and depreciated in the same way as property, plant and equipment owned by the council.

The amounts payable to the PFI operators each year are analysed into five elements:

1. Fair value of the services received during the year. This is debited to the relevant service in the Income and Expenditure Account.
2. Finance cost, being an interest charge of 8.42% for the Haverstock School PFI and 11.01% for the Chalcots Council Dwelling Refurbishment PFI on the outstanding Balance Sheet liability. This is debited to Interest Payable and Similar Charges in the Income and Expenditure Account.
3. Contingent rent, being increases in the amount to be paid for the property arising during the contract. This is debited to Interest Payable and Similar Charges in the Income and Expenditure Account.
4. Payment towards liability, being amounts applied to write down the Balance Sheet liability towards the PFI operator.
5. Lifecycle replacement costs recognised as fixed assets on the Balance Sheet.

Notes to the Accounts – Note 9 (continued)

The Income and Expenditure Account

<u>Value of Assets Held</u>	Haverstock	Chalcots
	£000	£000
Net Book Value as at 31 March 2008	18,060	37,471
Gross Book Value as at 31 March 2008	19,367	37,951
Additions 2008/09	0	21,709
Gross Book Value as at 31 March 2009	19,367	59,660
Depreciation as at April 1, 2008	(1,307)	(480)
Depreciation for year	(455)	(1,265)
Net Book Value as at 31 March 2009	17,605	57,915
Gross Book Value as at 31 March 2009	19,367	59,660
Additions 2009/10	0	6,723
Gross Book Value as at 31 March 2010	19,367	66,383
Depreciation as at April 1, 2009	(1,762)	(1,745)
Depreciation for year	(455)	(1,989)
Net Book Value as at 31 March 2010	17,150	62,649
<u>Value of Liabilities</u>		
	£000	£000
Creditors as at 31 March 2008	(14,656)	(35,411)
Additional Liability	0	(21,709)
Capital Repayment	377	6,970
Creditors as at 31 March 2009	(14,279)	(50,150)
Additional Liability	0	(6,723)
Capital Repayment	376	11,565
Creditors as at 31 March 2010	(13,903)	(45,308)

Details of Payments Due to be made under PFI

The following tables illustrate the estimate payments to be made over the life of both the Haverstock and Chalcots PFI schemes.

	Repayments of liability	Interest	Service Charges
Haverstock	£000	£000	£000
within 1 year	301	1,171	835
within 2-5 years	1,704	4,364	3,359
within 6-10 years	2,383	4,595	5,297
within 11-15 years	3,069	3,564	6,257
within 16-20 years	5,827	1,836	5,921
within 21-25 years	620	52	498
Totals	13,904	15,582	22,167
Chalcots	£000	£000	£000
within 1 year	2,604	4,988	2,163
within 2-5 years	13,151	16,819	9,940
within 6-10 years	23,644	11,403	17,013
within 11-15 years	5,908	650	4,168
within 16-20 years	0	0	0
within 21-25 years	0	0	0
Totals	45,307	33,860	33,284

10. Pensions

(a) Teachers - In 2009/10 the Council paid £6.024m to the Department for Children, Schools and Families (£5.596m in 2008/09) in respect of teachers' pension costs, which represents 14.09% of teachers' pensionable pay (14.12% in 2008/09). In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2009/10 these amounted to £0.413m (£0.399m in 2008/09) representing 0.97% of pensionable pay (1.01% in 2008/09).

(b) Ex ILEA - In 2009/10 the Council paid £0.328m to the London Pensions Fund Authority (£0.349m in 2008/09) in respect of former ILEA employees' pension costs, which represents 20.94 of ex-ILEA employees' pensionable pay (20.3% in 2008/09). In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2009/10 these amounted to £0.053m, (£0.051m in 2008/09) representing 3.40% of pensionable pay (2.99% in 2008/09).

(c) Other Employees – In 2009/10 the Council's level of contribution into the Pension Fund was 23.3% (23.3% in 2008/09) for those employees paying between 5.50% and 7.50% of pensionable

Notes to the Accounts – Note 10 (continued)

The Income and Expenditure Account

pay. The actual cash payments made into the Fund by the Council were £32.988m (£31.736m in 2008/09) which represents 23.87% of Camden employees' pensionable pay (23.10% in 2008/09).

The Fund's actuary determines the employer's contribution rate. It is based on triennial actuarial valuations, with the last review being at 31 March 2007.

Under Pension Fund regulations applying from 2007/08, contribution rates are required to meet 100% of the overall liabilities of the Fund over an agreed period and the contributions needed by the Council to meet this requirement will continue to be funded at the level recommended by the Council's actuary.

In addition, the Council is responsible for all pension payments relating to added year benefits it has awarded, together with the related increases. In 2009/10 these amounted to £2.839m, representing 2.05% of pensionable pay (£2.748m and 2.00% in 2008/09).

The capital cost of discretionary increases in pension payments (e.g. discretionary added years) agreed by the authority in 2009/10 was £nil (£nil in 2008/09).

There is further pension information in Note 46.

11. Levies

Levies were paid to other public bodies as follows:

	2009/10 £'000	2008/09 £'000
Included within Net Cost of Service		
North London Waste Authority	5,665	4,900
Total within Net Cost of Service	<u>5,665</u>	<u>4,900</u>
Included within Net Operating Expenditure		
Environment Agency	189	189
Garden Squares	22	21
Lee Valley Regional Park	289	286
London Pension Fund Authority	1,439	1,452
Total within Net Operating Expenditure	<u>1,939</u>	<u>1,948</u>
Totals	<u>7,604</u>	<u>6,848</u>

12. Health Act 1999 Pooled Funds

The Council has entered into partnership arrangements with Camden Primary Care Trust (CPCT) for pooled budget arrangements for the provision of services relating to the Integrated Community Equipment Store (ICES). This includes the costs of purchasing new equipment and managing the distribution of equipment across the borough of Camden. The local authority hosts the pool. The respective contributions of the PCT and the LA were renegotiated in this year to reflect increased usage of the store by the health partner. The income and expenditure for 2009/10 were as follows:

	2009/10 £'000	2008/09 £'000
Funding:		
London Borough of Camden	(768)	(767)
Camden PCT	<u>(433)</u>	<u>(452)</u>
Total	<u>(1,201)</u>	<u>(1,219)</u>
Expenditure	<u>1,201</u>	<u>1,219</u>
Net Overspend	<u>-</u>	<u>-</u>

The council has an arrangement with the Camden and Islington Mental Health Social Care Trust (C&IMHSCT) where the council has delegated its budget to C&IMHSCT for the provision of some Mental Health services within the borough of Camden. C&IMHSCT is an organisation jointly funded with Camden PCT, Islington PCT and Islington Adult Social Care Services. This is not a formal pooled budget arrangement.

In 2009/10 the local authority transferred £4.766m gross to C&IMHSCT and received £1.077m from C&IMHSCT as a contribution towards its joint services.

The council receives £9.579m from Camden PCT for the provision of continuing care and jointly commissioned health and social care services. £0.252m is received from other PCTs for whom the council acts as agent for payment of Registered Nursing Care Contribution (RNCC).

Notes to the Accounts (continued)

The Income and Expenditure Account

13. Transfers to / (from) Earmarked Reserves

The following amounts were transferred to/(from) earmarked reserves and General Balances in 2009/10:

	2009/10 £'000	2008/09 £'000
Departmental reserves		
Finance	0	(582)
Customers, Strategy and Performance	(134)	0
Children's, Schools and Families	(935)	(1,900)
Housing and Adult Social Care	(3,904)	0
Culture and Environment	(144)	144
Sub-total	(5,117)	(2,338)
Corporate reserves		
Future Capital Schemes	(14,562)	4,505
Commercial Property	(365)	478
Modernising Government Systems Modernisation Reserve	(1,986)	344
Self-insurance	(523)	229
Risk Management	(228)	0
Neighbourhood Renewal Fund (was LAA)	0	(1,225)
Mental Health Aftercare	(494)	(181)
Haverstock School PFI Initial Payment	(2,798)	(130)
Haverstock School PFI	2,668	127
Corporate Initiatives	(778)	(599)
Pay and Gratings review	(717)	664
Mayors Charity	0	7
Dedicated Schools Grant	243	145
Workforce Remodelling and Efficiency projects	(1,948)	3,168
Licensing	(381)	0
Building Schools for the Future	(59)	1,192
Revenue Support	(1,318)	1,318
Recovery Fund	(2,530)	6,000
Parking Reserve	0	0
Legal cases	(670)	0
Carbon reduction commitment	259	0
Homes for Older People	5,248	0
National Efficiency Reserve	3,946	0
Multi year budget reserve	2,458	0
Revenue Funding Reserve	(80)	0
Sub-total	(14,658)	16,042
Total Net Transfers	(19,775)	13,704

14. Income from Business Rates

Income to the national non-domestic rates pool is redistributed directly to both billing and precepting authorities. The Council received £132.736m in 2009/10 (£140.850m in 2008/09), which was credited to the Income and Expenditure Account.

Notes to the Accounts (continued)

The Income and Expenditure Account

15. Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Children, Schools and Families, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the schools budget, as defined in the school finance (England) regulations 2008. The schools budget includes elements for a range of educational services provided on an authority-wide basis and for the individual schools budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2009/10 are as follows:

	Schools Budget Funded by Dedicated Schools Grant		
	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2009/10			(128,449)
Brought forward from 2008/09			(606)
Carry forward to 2010/11 agreed in advance			0
Agreed Budgeted distribution in 2009/10	(23,542)	(105,513)	(129,055)
Actual central expenditure	22,513		22,513
Actual ISB deployed to schools		105,513	105,513
Carry forward of DSG to 2010/11	(1,029)	0	(1,029)
Budget share clawed back from schools to be reallocated in 2010/11			(95)
Total DSG carry forward			(1,124)

Notes to the Accounts

The Statement of Movement on the General Fund Balance

16. Reconciling items for the Statement of Movement on the General Fund Balance

		2009/10 Net Expenditure	Restated 2008/09 Net Expenditure
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	Notes	£'000	£'000
Depreciation of Fixed Assets		(18,339)	(17,366)
Impairment of fixed assets		(6,555)	(307,683)
Depreciation charged to the HRA in excess of the Major Repairs Allowance element of Housing Subsidy (excluding PFI).		8,211	(11,116)
Difference between amounts charged to Income and Expenditure for financial instruments and the charge for the year in accordance with statute		644	674
Government Grants Deferred Amortisation		4,200	3,956
Revenue Expenditure Financed from Capital under Statute		(1,748)	(715)
Gains on disposal of fixed assets		12,930	11,078
Amount by which Council Tax income and residual community charge adjustment included in the Income and Expenditure Account is different from the amount taken to the General Fund in accordance with regulation.		(820)	(4,007)
Net charges made for retirement benefits in accordance with FRS17		(42,867)	(43,044)
Total		(44,344)	(368,223)
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year			
Statutory Minimum Revenue provision for repayment of debt		6,150	20,915
Capital Expenditure charged to the General Fund Balance		39,543	26,881
Transfer from Useable Capital Receipts account to meet payments to the Housing Capital Receipts Pool		(1,627)	(2,458)
Employer's contributions payable to the pension funds and retirement benefits payable direct to pensioners		37,513	37,522
Total		81,579	82,860
Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year			
Transfer from the Housing Revenue Account balance		(3,608)	(2,017)
Voluntary revenue provision for the repayment of debt		380	380
Transfer to/(from) earmarked reserves	13	(19,775)	13,704
Transfer to/(from) schools balances		(59)	(496)
Other transfers out of the Fund	13	0	0
Total		(23,062)	11,571
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year		14,173	(273,792)

Notes to the Accounts

The Balance Sheet

17. Fixed Assets - Movement of Fixed Assets (Operational)

OPERATIONAL ASSETS

	Council Dwellings HRA	HRA - Other	Other Land and Buildings	Vehicles, Plant and Equipment	Infra- structure	Community Assets	Total Operational Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2009 (restated)	2,031,171	44,974	659,503	4,681	188,135	15,902	2,944,366
Corrections to Base	(781)	0	0	0	0	0	(781)
Additions	70,107	5,135	5,044	281	17,530	6	98,103
Donations	548	0	0	0	0	0	548
Disposals	(9,643)	0	0	0	0	0	(9,643)
Revaluations	164,484	2,710	12,272	0	0	0	179,466
Reclassifications	0	7,344	2,678	1,967	0	87	12,076
Sub-total Movement in year	224,715	15,189	19,994	2,248	17,530	93	279,769
At 31 March 2010	2,255,886	60,163	679,497	6,929	205,665	15,995	3,224,135
Depreciation and Impairments							
At 1 April 2009 (restated)	(7,315)	(3,661)	(18,725)	(2,854)	(28,491)	(5)	(61,051)
Charge for Year	(29,861)	(1,366)	(9,954)	(1,245)	(4,442)	(1)	(46,869)
Disposals	506	0	0	0	0	0	506
Revaluations	26,509	1,193	6,835	0	0	0	34,537
Reclassifications	0	0	0	0	0	0	0
Sub-total Movement in year	(2,846)	(173)	(3,119)	(1,245)	(4,442)	(1)	(11,826)
At 31 March 2010	(10,161)	(3,834)	(21,844)	(4,099)	(32,933)	(6)	(72,877)
Balance Sheet amount at 31 March 2010	2,245,725	56,329	657,653	2,830	172,732	15,989	3,151,258
Balance Sheet amount at 1 April 2009 (restated)	2,023,856	41,313	640,778	1,827	159,644	15,897	2,883,315
Nature of Asset							
Owned	2,153,985	53,615	631,509	2,830	172,732	15,961	3,030,632
Finance Lease	29,091	2,714	8,994	0	0	28	40,827
PFI	62,649	0	17,150	0	0	0	79,799
	2,245,725	56,329	657,653	2,830	172,732	15,989	3,151,258

Notes to the Accounts (continued)

The Balance Sheet

18. Fixed Assets - Movement of Fixed Assets (Non-operational)

NON - OPERATIONAL ASSETS

	HRA Commercial	HRA - Surplus	Investment Assets General Fund	Surplus Assets General Fund	Fixed Assets Under Construction	Total Non - Operational Assets	Total Operational and Non- Operational Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation							
At 1 April 2009 (Restated)	88,818	735	83,187	9,964	20,466	203,170	3,147,536
Corrections to Base	(890)	0	1,165	0	0	275	(506)
Additions	570	0	679	0	23,100	24,349	122,452
Donations	0	0	0	0	0	0	548
Disposals	0	(735)	(1,101)	(182)	0	(2,018)	(11,661)
Revaluations	(1,389)	0	4,547	(256)	0	2,902	182,368
Reclassifications	158	0	(241)	0	(12,184)	(12,267)	(191)
Sub-total Movement in year	(1,551)	(735)	5,049	(438)	10,916	13,241	293,010
At 31 March 2010	87,267	0	88,236	9,526	31,382	216,411	3,440,546
Depreciation and impairments							
At 1 April 2009 (Restated)	0	0	(85)	0	0	(85)	(61,136)
Charge for Year	0	0	(57)	0	0	(57)	(46,926)
Disposals	0	0	0	0	0	0	506
Revaluations	0	0	0	0	0	0	34,537
Reclassifications	0	0	0	0	0	0	0
Sub-total Movement in year	0	0	(57)	0	0	(57)	(11,883)
At 31 March 2010	0	0	(142)	0	0	(142)	(73,019)
Balance Sheet amount at 31 March 2010	87,267	0	88,094	9,526	31,382	216,269	3,367,527
Balance Sheet amount at 1 April 2009 (restated)	88,818	735	83,102	9,964	20,466	203,085	3,086,400
Nature of Asset							
Owned	87,267	0	86,448	9,526	31,382	214,623	3,245,255
Finance Lease	0	0	1,646	0	0	1,646	42,473
PFI	0	0	0	0	0	0	79,799
	87,267	0	88,094	9,526	31,382	216,269	3,367,527

Notes to the Accounts (continued)

The Balance Sheet

Movement of Fixed Assets (continued)

The freehold and leasehold properties that comprise the Council's property portfolio have been valued by:

- DVS, Valuation Office Agency
- London Borough of Camden - Head of Property Services
(Fellow of the Royal Institution of Chartered Surveyors)

The valuations have been carried out on the under-mentioned bases in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors by members of that institution.

All land and buildings held within the HRA have been valued according to the following bases:

Operational assets such as dwellings, tenants' halls and garages have been valued at Existing Use Value for Social Housing (EUV-SH) for housing property and Existing Use Value (EUV) for non-housing property. EUV-SH valuations have been derived by assessing the vacant possession value of housing properties by using the beacon principle and then reducing the values by 63% in line with guidance from the Department for Communities and Local Government to reflect the continuing occupation by secure tenants.

Non-operational assets – investment properties, such as shops, and assets surplus to requirements have been valued at open market value or net realisable value.

General Fund operational properties were valued on the basis of net realisable value for the existing use or, where this could not be assessed because there was no market for the asset (e.g. schools) then they were valued at the depreciated replacement cost. General Fund non-operational properties were valued on the basis of market value.

Infrastructure and Community assets are valued at depreciated historical cost.

Assets included in the Balance Sheet are valued on a rolling 5-year programme or when there has been a material changes in the value.

Notes to the Accounts (continued)

The Balance Sheet

19. Revaluation Review Dates

The following table shows the progress of the Council's rolling programme for the revaluation of its fixed assets. The valuations have been carried out by the Council's appointed valuers and the basis of valuation is set out in the statement of accounting policies.

	HRA dwellings	HRA commercial	HRA Surplus	HRA other	Other Land and Buildings	Investment/ Surplus Properties – GF	Vehicles, Plant and Equipment	Community Assets	Infrastructure	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revaluation Review Dates										
Valued at historic cost	0	0	0	0	0	0	2,830	15,989	172,732	191,551
Valued at current value in										
2005/06	57,236	87,267	0	30,543	53,586	7,226	0	0	0	235,858
2006/07	0	0	0	1,597	8,669	24,420	0	0	0	34,686
2007/08	296	0	0	264	86,622	5,257	0	0	0	92,439
2008/09	306	0	0	228	92,837	22,637	0	0	0	116,008
2009/10	2,187,887	0	0	23,697	415,939	38,080	0	0	0	2,665,603
Net Book Value at 31 March 2010	2,245,725	87,267	0	56,329	657,653	97,620	2,830	15,989	172,732	3,336,145

Notes to the Accounts (continued)

The Balance Sheet

20. Council Assets

The assets of the Council at 31 March 2010 included the following:

Council dwellings	23,890
HRA commercial properties	452
HRA other properties	203
Car parks	2
Cemeteries	2
Community centres	9
Day centres	11
Depots & workshops	8
Libraries	6
Miscellaneous buildings	14
Mortuaries & courts	2
Non-HRA housing properties	15
Offices	21
Play centres	4
Playing fields	1
Public conveniences	6
Residential homes	7
School keeper houses	13
Schools - nurseries	10
Schools - primary	24
Schools - secondary	8
Schools - special	5
Sports centres/pools	5
Kilometres of road	258
Parks, gardens & open spaces	93
Units of commercial property	443
Surplus/vacant/awaiting development properties	10

21. HRA Asset Valuations

The Balance Sheet has Net Book Values within the HRA as follows:

	31 March 2010	Restated 1 April 2009
	£'000	£'000
Operational Properties		
- dwellings	2,245,725	2,023,856
- other properties	56,329	41,313
Sub total	2,302,054	2,065,169
Non-operational Properties		
- commercial properties	87,267	88,818
- surplus	0	735
Sub Total	87,267	89,553
Grand Total	2,389,321	2,154,722

The vacant possession value of dwellings within the HRA at 31 March 2010 is £5.304bn.

The difference between the vacant possession value of £5.304bn and the balance sheet value of dwellings of £2.389bn shows the economic cost to Government of providing council housing at less than open market rents.

22. Intangible Assets

The council's intangible assets comprise of purchased software and software licences.

	£'000
Software	
Opening Gross Book Value at 1 April 2009	3,036
Less Accumulated Depreciation:	(1,843)
Opening Net Book Value at 1 April 2009	1,193
- Additions	974
- Amortisation	(629)
Movement in Net Book Value in period	345
Closing Net Book Value at 31 March 2010	1,538
Total Depreciation carried forward:	(2,472)
Closing Gross Book Value at 31 March 2010	4,010

Software is amortised over three years on a straight-line basis.

Notes to the Accounts (continued)

The Balance Sheet

23. Capital Expenditure and Funding

	2009/10 £'000	2008/09 £'000
Expenditure		
Capital additions	92,629	64,054
Intangible assets	974	668
Investments	0	85
Fixed Assets Under Construction	23,100	15,252
REFCUS (previously known as deferred charges)	10,280	13,786
LBC Capital Programme	126,983	93,845
Charitable Trust Assets	12	38
Capital Programme	126,995	93,883

	2009/10 £'000	2008/09 £'000
Funding		
Loans	16,460	15,362
Usable capital receipts	9,457	3,017
Leaseholders' contributions	7,561	4,405
S106 contributions	2,039	573
Other contributions/ Insurance receipts	839	1,631
Major Repairs Allowance	37,448	21,355
Transport for London grants	7,068	8,882
Standard Fund grants	4,753	2,047
Childrens Centres grants	1,922	1,510
PSA reward grant	0	43
Other capital grants	7,466	12,582
Revenue financing (HRA)	2,475	4,161
Revenue financing (GF)	29,507	18,315
	126,995	93,883

Within the total capital expenditure of £126.995m, HRA capital expenditure in the year was as follows:

	2009/10 £'000	2008/09 £'000
Works to HRA dwellings/other properties	68,864	37,702
Acquisitions	225	0
Fixed Assets Under Construction	0	6,668
Deferred Charges	0	0
REFCUS	0	(17)
	69,089	44,353

In addition, non-HRA housing capital expenditure of £4.14m (£11.630m in 2008/09) was incurred.

HRA capital expenditure was funded as follows:

	2009/10 £'000	2008/09 £'000
Loans	10,643	10,643
Usable Capital Receipts	8,531	2,483
Revenue Financing	2,475	4,161
Major Repairs Allowance	37,448	21,355
Leaseholders' Capital Contributions	7,561	4,405
Other	2,431	1,306
	69,089	44,353

HRA Capital Receipts

Gross HRA capital receipts from disposals in 2009/10 were as follows:

	2009/10 £'000	2008/09 £'000
Land	115	190
Dwellings	19,719	13,561
Other Properties	591	390
Total	20,425	14,141

Notes to the Accounts – Note 23 (continued)

The Balance Sheet

Major items of capital expenditure during 2009/10 included:-

	£'000
Children Schools & Families	
Hampstead School technology / admin. block	1,903
New End School - windows	567
Autistic Syndrome Disorder Unit - Kentish Town	838
Youth Grants	899

Culture & Environment

Planned Improvements - footway works	3,543
Planned Improvements - carriageway works	1,768
Column replacement	575
Camden High Street North - highways improvements	1,021
Libraries Radio Frequency Identity project	594
Play Pathfinder – various play centres upgrading	1,698
Kentish Town Sports Centre refurbishment	14,314
Bloomsbury Way bus route	1,159
Cycle docking preparatory works	641
Camden Town Centre North (Chalk Farm)	680
Bloomsbury Corridor - Streets for People	538

Housing

Hostels improvement programme - Novas grant	821
Decent Homes programme	28,688
Development of the Common Assessment Demonstrator system	934
Long Term Care Strategy – older people	603

Major repairs / improvements at :-

Abbey Estate	2,594
Amphill Estate	1,301
Whittington Estate	2,121
Spedan Close	719
West End Sidings – district heating	1,113
Templar House	684
100 Drummond Street	758
1 – 50 Abingdon Close	553

Administrative Buildings

	£'000
Bidborough House - reconfiguration	4,647

The Council has authorised capital expenditure of £838m to be incurred in the years 2010/11 to 2015/16, of which £138m has been contracted. These commitments include the following significant schemes:

Culture & Environment

Libraries Radio Frequency Identity project	1,144
Planned improvements – public realm	2,000
Kentish Town Sports Centre refurbishment	2,410
Planned improvements – carriageway works	5,000

Housing & Adult Social Care

Major repairs / improvements at :-

Spedan Close	911
Abbey Estate	1,425
Amphill – phase 1a	966
Whittington Estate	3,692
Maiden Lane	800
Adelaide Road Towers	1,261
Brunswick Centre - mechanical & electrical repairs	950
Curnock Estate - heating	1,438
Bucklebury - heating	900

Other Schemes :-

Crisis House (Mental Health Services) development	1,154
CCTV	805
Development of the Common Assessment Framework for Adults	1,113

Finance

Prince of Wales block – fit out 7 flats	725
A further £700m relates to schemes approved to proceed which were not contracted as at 31 March ,2010. The following significant schemes are included: -	

Children Schools & Families

	£'000
Beckford – external repairs & decorations	580
Carlton – windows	525
Secondary Autism Unit	949
Frank Barnes/Edith Neville special school	9,654
Building Schools for the Future	80,440

Notes to the Accounts – Note 23 (continued)

The Balance Sheet

Housing	£'000
Major repairs/improvements at: -	
Henderson Court	590
Highgate New Town – heating	2,650
Bacton Estate	1,875
Alexandra Estate/Rowley Way	6,306
Beaumont – raising the standard	598
Denton Estate - heating	979
 Other Schemes:-	
Dennis Hadfield House, 93 Kings Cross Road	500
Charlie Ratchford Centre	7,350

Notes to the Accounts (continued)

The Balance Sheet

24. Long-Term Investments

In 2007/08 the council joined with nine other London Councils to form London Authorities Mutual Ltd (LAML). The purpose of the company was to insure local authority risk and the procurement of insurance cover for its members. However as a result of legal action, the Court of Appeal has deemed the trading of LAML ultra vires. As a direct result of this case, LAML has ceased trading and the net assets will be distributed to its members and a cash payment will be made. The accounts now reflect this change and the original investment has been replaced by a debtor in the accounts to reflect the change in both the status of the company and the estimated value of monies due.

The Council has advanced loans of £57m to banks and other financial institutions which are not due to be repaid before 2010/11 and which are classed as long-term investments for Treasury Management purposes. The carrying value in the balance sheet includes accrued interest up to the balance sheet date.

25. Long-term Debtors

	31 March 2010 £'000	31 March 2009 £'000
Loans to Housing Associations	9	19
Staff car loans	27	31
Right to buy mortgages	165	173
Capital service charge loans	739	819
Other mortgages	0	4
Works in default	72	72
	1,012	1,118

26. Current Assets

	31 March 2010 £'000	Restated 31 March 2009 £'000
Stocks	274	225
Cash held by officers	100	104
Money on call/short notice	149,947	115,411
Other short-term lending	0	0
Cash at bank	10,109	13,594
Payments in advance	17,071	15,434
Total non-debtors	177,501	144,768
Collection Fund debtors		
Community charge payers	0	377
Council tax payers	10,994	13,414
NNDR ratepayers	0	0
NNDR Pool	0	0
	10,994	13,791
Other debtors		
HRA rents	3,588	3,996
Central Government	21,113	18,321
Other local authorities	5,672	5,619
Other sundry debtors	63,762	56,771
	94,135	84,707
Total debtors	105,129	98,498
Less provisions for bad debts		
Collection Fund		
Community charge	0	(377)
Council tax arrears	(6,952)	(8,695)
NNDR arrears	0	0
	(6,952)	(9,072)
HRA rents	(3,401)	(3,852)
Other arrears	(26,556)	(34,047)
	(29,957)	(37,899)
Total provisions	(36,909)	(46,971)
Total current assets	245,721	196,295

Notes to the Accounts (continued)

The Balance Sheet

27. Current Liabilities

	31 March 2010 £'000	Restated 31 March 2009 £'000
Loans <1 year	25,046	29,611
Depositors	1,772	2,491
Bank Overdraft	0	2,908
Receipts in advance	66,354	35,415
Charitable receipts	63	61
Residents savings	3	0
	93,238	70,486
Collection Fund creditors		
- Council tax payers	6,456	7,066
- NNDR ratepayers	0	9
- NNDR pool	103	1,398
	6,559	8,473
Other creditors		
- Central Government	11,722	16,628
- Other local authorities	2,526	843
- Other sundry creditors	112,601	121,644
	126,849	139,115
Total current liabilities	226,646	218,074

28. Capital Grants Deferred

In respect of grants used to finance asset acquisition, sums are released to the Income and Expenditure Account in line with the depreciation charged on the new assets. In respect of grants used to finance works to existing assets, sums are released in line with depreciation charged on the asset. In respect of leaseholder capital contributions applied, the sums are credited to the Capital Adjustment Account

	31 March 2010 £'000	31 March 2009 £'000
Transport Supplementary Grant	3,726	3,870
Other infrastructure grants	67,244	61,766
Other grants (building works)	36,010	33,130
Equipment/Intangibles grants	1,804	1,054
Contributions	13,289	11,119
	122,073	110,939

Notes to the Accounts (continued)

The Balance Sheet

29. Provisions

The council has established three provisions to meet material liabilities of uncertain timing or amount that will need to be settled by a transfer of economic benefit. The total provisions established for 2009/10 totals £9.990m (£8.090m in 2008/09) and the movements in the provisions are shown below.

	Self Insurance (incl. Tree Roots)		Industrial Leases		Miscellaneous		Total	
	2009/10	2008/9	2009/10	2008/9	2009/10	2008/9	2009/10	2008/9
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April	7,595	7,979	495	500	0	0	8,090	8,479
Additions	5,004	2,856	0	0	103	0	5,107	2,856
	12,599	10,835	495	500	103	0	13,197	11,335
Claims against Provision	(2,427)	(2,446)	(115)	(5)	0	0	(2,542)	(2,451)
Returns to revenue	(665)	(794)	0	0	0	0	(665)	(794)
	(3,092)	(3,240)	(115)	(5)	0	0	(3,207)	(3,245)
Total provisions	9,507	7,595	380	495	103	0	9,990	8,090

1.a Self-Insurance Provision – General

Since 1993, the Council has self insured various property, liability and motor losses up to £100,000. This level of self insurance increased to £500,000 from 1 January 2010. Annual aggregate limits of £1.2 million, £4 million, and £400,000 apply respectively.

The Council previously placed its insurance with the London Authorities Mutual. Due to a legal challenge, this arrangement was ruled to be ultra vires in June 2009. The council arranged temporary replacement insurance from June to December 2009.

The council has since joined a consortium of other London boroughs to procure insurance together. This arrangement commenced on 1 January 2010 with the councils' main insurance programme placed with Zurich Municipal via the consortium

Contributions in the form of internal premiums charged to departments and HRA are made to the provision.

The balance of the provision at 31 March 2010, £4.857m, is an estimate of Councils fund exposure to risks on reported claims at that date.

	31 March 2010 £'000	31 March 2009 £'000
Balance at 1 April	4,328	4,600
Contributions	2,453	2,507
	6,781	7,107
Payment of Claims	(1,452)	(2,036)
	5,329	5,071
Transfer to/from self-insurance reserve	(472)	(743)
Balance at 31 March	4,857	4,328

Notes to the Accounts (note 29 continued)

The Balance Sheet

1.b Self-Insurance Provision – Tree Root:

Since 1994, the Council has fully Self-insured all claims made as a result of damage to private property as a result of the action of the roots of Council owned trees.

This arrangement changed from 1 January 2010 when the council added tree root liability cover to its main liability insurance programme with an excess of £1 million. Claims within the excess continue to be funded via the Council's insurance provision.

The council previously showed a separate provision for the payment of tree root liability claims; however this has now been incorporated into the council's main insurance provision.

	31 March 2010 £'000	31 March 2009 £'000
Balance at 1 April	3,267	3,379
Contributions	2,551	349
	<hr/> 5,818	3,728
Payment of Claims	(975)	(410)
	<hr/> 4,843	3,318
Transfer to/from self-insurance reserve	(193)	(51)
Balance at 31 March	<hr/> 4,650 <hr/>	3,267

2. Industrial Leases: Provision has been made for the liability arising under tax indemnity clauses relating to the letting of industrial units. The provision is the estimate of the cost of non compliance of the terms of the lease by tenants of property services and the cost of termination.

3. Miscellaneous Provision: Provision has also been made for pending litigations from past events that would lead to probable transfer of economic benefits. The provision is the estimate of any amount to be settled.

Notes to the Accounts (continued)**The Balance Sheet****30. Types of Financial Instruments**

Accounting regulations require the “financial instruments” (investment, lending and borrowing of the Council) shown on the balance sheet to be further analysed into various defined categories. The investments, lending and borrowing disclosed in the balance sheet are made up of the following categories of “financial instruments”.

TABLE 1 – FINANCIAL INSTRUMENT BALANCES

	Long-Term		Current	
	31 March 2010 £000s	31 March 2009 £000s	31 March 2010 £000s	31 March 2009 £000s
Borrowings				
Financial liabilities at amortised cost	363,697	365,040	271	826
Financial liabilities at fair value through profit and loss	0	0	0	0
Other borrowing	0	0	21,869	16,843
Cash Overdrawn	0	0	0	2,908
Total borrowings	363,697	365,040	22,140	20,577
Investments				
Loans and receivables	59,479	121,457	111,602	98,818
Available-for-sale financial assets	0	0	48,000	30,187
Fair value through Profit and Loss	0	0	0	0
Total investments	59,479	121,457	159,602	129,005

NOTES.

LOBOs of £124m have been included in long-term borrowing but have a call date in the next 12 months.

The above long term figures are based on para 4.31 of SORP 2009 which states that in undertaking Effective Interest Rate (EIR) calculations ‘the contractual life for a LOBO may be an appropriate estimate of the expected life on initial recognition’ - unless there is a specific identifiable reason to determine otherwise.

All trade creditors and debtors are due for settlement within one year. Debtors and creditors falling within this definition are disclosed elsewhere in the Balance Sheet.

Notes to the Accounts (continued)**The Balance Sheet****31. Gains and Losses on Financial Instruments**

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows:

TABLE 2 – FINANCIAL INSTRUMENTS GAINS/LOSSES

2009/10	Financial Liabilities		Financial Assets		Total £000s
	Liabilities measured at amortised cost	Loans and receivables	Available- for-sale assets	Fair value through P&L	
	£000s	£000s	£000s	£000s	
Interest expense	(22,416)	0	0	0	(22,416)
Losses on derecognition	0	0	0	0	0
Impairment losses	0	0	0	0	0
Interest payable and similar charges	(22,416)	0	0	0	(22,416)
Interest income	0	8,496	0	0	8,496
Gains on derecognition	0	0	0	0	0
Interest and investment income	0	8,496	0	0	8,496
Gains on revaluation	0	0	0	0	0
Losses on revaluation	0	0	0	0	0
Amounts recycled to the I&E account after impairment	0	0	0	0	0
Surplus arising on revaluation of financial assets	0	0	0	0	0
Net loss for the year	(22,416)	8,496	0	0	(13,920)

Notes to the Accounts (continued)**The Balance Sheet****32. Fair Value of Assets and Liabilities carried at amortised cost**

The fair value of each class of financial assets and liabilities which are carried in the balance sheet at amortised cost is disclosed below.

Methods and Assumptions in valuation technique

The fair value of an instrument is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in the future in today's terms.

The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. For debt, this will be the new borrowing rate since premature repayment rates include a margin which represents the lender's profit as a result of rescheduling the loan; this is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.

The rates quoted in this valuation were obtained by our treasury management consultants from the market on 31 March, using bid prices where applicable.

The calculations are made with the following assumptions:

- For PWLB debt, the discount rate used is the rate for new borrowing as per rate sheet number 063/10.
- For other market debt and investments the discount rate used is the rates available for an instrument with the same terms from a comparable lender.
- We have used interpolation techniques between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- We have calculated fair values for all instruments in the portfolio, but only disclose those which are materially different from the carrying value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

TABLE 3 – FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

	31 March 2010		31 March 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000s	£000s	£000s	£000s
PWLB - maturity	232,118	268,780	231,113	283,389
PWLB – annuity	2,027	2,530	2,892	3,580
LOBOs	130,349	150,874	130,861	136,612
Bank overdraft	0	0	2,908	2,908
Short term borrowing	21,869	21,869	16,843	16,843
Financial liabilities	386,363	444,053	384,617	443,332

Fair value is less/more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower/higher than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest below current market rates reduces the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

Notes to the Accounts – note 32 (continued)

The Balance Sheet

TABLE 4 – FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST

	31 March 2010		31 March 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000s	£000s	£000s	£000s
Cash	9,656	9,656	13,594	13,594
Deposits with banks and building societies	209,425	163,449	236,868	214,069
Callable Deposits	0	48,000	0	30,189
Financial assets	219,081	221,105	250,462	257,852

The fair value is higher/lower than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate is receivable is lower/higher than the rates available for similar loans at the Balance Sheet date.

33. Nature and Extent of risks arising from financial instruments

The Council's management of treasury risks actively works to minimise the Council's exposure to the effects of the unpredictability of financial markets and to protect the financial resources available to fund services. Risk management is carried out by a central treasury team under policies approved by the Council in the annual treasury management strategy report. The Council has fully adopted and implemented the CIPFA Code of Practice on Treasury Management which was revised in 2009. In particular, it has set up twelve treasury management practices covering all areas of treasury management. These specify in detail the policies of the council, the procedures on how these policies are to be put into effect and who is responsible for all aspects of treasury management. These policies cover such areas as credit risk, liquidity risk and market risk. The treasury management team have also fully implemented the national investment guidance (English authorities) of the ODPM issued on 12 March 2004.

1. Credit Risk

Credit risk is the possibility that other parties may not pay amounts due to the council. This risk arises from the lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the council's customers.

It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution.

The Council uses the creditworthiness services provided by the Council's independent treasury advisors and uses a sophisticated modelling approach with credit ratings from all three rating agencies (Fitch, Moodys and Standard and Poors), in addition, the model also uses credit watches and credit outlooks from credit rating agencies. The Council also uses market data and market information, information on government support for banks and the credit ratings of that government support .

The Council also has a policy of limiting deposits with institutions to a maximum of £40m to four of the UK Government supported banks.

The Council credit criteria for selecting approved counterparties and countries are published in the Treasury Management Strategy Report, which is approved annual by Executive Council Members.

The Council ceased to use the following countries in 2009-10 Belgium, Denmark, Finland, Ireland, Italy, Luxembourg, Spain, Sweden and Switzerland.

Notes to the Accounts – note 33 (continued)

The Balance Sheet

At the 31 March 2010 the Council had investments with the following banks

Country	Counterparty	
Belgium/Luxembourg	Dexia Banq Int Luxembourg	(matured 12/05/2010)*
France	Calyon	(matured 06/04/2010)
France	Societe Generale	(matured 01/06/2010)
UK	Barclays Bank PLC	
UK	HBOS	
UK	HSBC	
UK	Lloyds TSB PLC	
UK	Royal bank of Scotland	

* This investment's start date was July 17, 2008 (2008/09 financial year).

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year and the Council expects full repayment on the due date of deposits placed with its counterparties.

TABLE 5 – CREDIT RISK (A)

	Amounts at 31 March 2010	Historical experience of default	Historical experience adjusted for market conditions as at 31 March 2010	Estimated maximum exposure to default and uncollectability
	£000s	%	%	£000s
Deposits with banks and other financial institutions	214,456	0	0	0
Bonds and other securities	0	0	0	0
Customers	17,030	18	24	4,087
Total	231,486			4,087

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Debtors

The Council does not generally allow credit for customers. There are no impaired debtors. The past due amount can be analysed by age as follows:

TABLE 6 – CREDIT RISK (B)

	31 March 2010
	£000s
Less than three months	6,613
Three to six months	6,613
Six months to one year	2,775
More than one year	1,029
Total	17,030

Notes to the Accounts – note 33 (continued)

The Balance Sheet

2. Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates.

The maturity structure of financial liabilities is as follows (at nominal value):

TABLE 7 – LIQUIDITY RISK

Loans outstanding	On 31 March 2010	On 31 March 2009
	£000s	£000s
Public Works Loans Board	228,866	229,692
Market debt	124,000	124,000
Temporary borrowing	21,869	19,751
Total	374,735	373,443
Less than 1 year	22,141	20,577
Between 1 and 2 years	15,640	271
Between 2 and 5 years	30,797	31,017
Between 5 and 10 years	57,157	63,878
More than 10 years	249,000	257,700
Total	374,735	373,443

In the more than 10 years category there are **£124m** of LOBOs which have a call date in the next 12 months.

3. Market Risk

Interest rate risk

The Council is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments, and the second being the affect of fluctuations in interest rates on the fair value of an instrument.

The current interest rate risk for the authority is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Income and Expenditure Account.
- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Income and Expenditure Account.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the Balance Sheet for those assets held at fair value in the Balance Sheet, which would also be reflected in the STRGL.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

Notes to the Accounts – note 33 (continued)

The Balance Sheet

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 38% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the authorities's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2010, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

TABLE 8 – INTEREST RATE RISK

	£000s
Increase in interest payable on variable rate borrowings	1,240
Increase in interest receivable on variable rate investments	0
Increase in government grant receivable for financing costs	0
Impact on Income and Expenditure Account	1,240
Share of overall impact debited to the HRA	
Decrease in fair value of 'available for sale' investment assets	0
Impact on STRGL	0
Decrease in fair value of fixed rate investment assets (no impact on I&E account or STRGL)	(48,947)
Decrease in fair value of fixed rate borrowing liabilities (no impact on I&E account or STRGL)	(965)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Foreign Exchange Risk

The Council has no financial assets or a liability denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Notes to the Accounts (continued)

The Balance Sheet

34. Revaluation Reserve

The Revaluation Reserve records the accumulated gains on the fixed assets held by the authority arising from increases in value as a result of inflation or other factors. The Reserve is also debited with amounts equal to the part of depreciation charges on assets that have been incurred only because the asset has been revalued. On disposal the Reserve balance for the asset disposed of is written out to the Capital Adjustment Account.

	2009/10 £'000	2008/09 £'000
Balance brought forward	68,954	121,268
Revaluations including depreciation written off on revaluation	223,924	(48,378)
Depreciation for year in respect of revalued amounts	(2,423)	(2,912)
Corrections to base	(1)	804
Fixed assets disposed of in year including depreciation written off on disposal	(1,336)	(1,828)
Total movement	<u>220,164</u>	<u>(52,314)</u>
Balance carried forward	<u>289,118</u>	68,954
Comprising:		
General Fund	92,917	67,645
HRA	<u>196,201</u>	<u>1,309</u>
	<u>289,118</u>	<u>68,954</u>

35. Capital Adjustment Account

The Capital Adjustment Account (CAA) shows:

Resources used to finance capital expenditure

- (Credits) Capital receipts and direct revenue financing used to finance capital expenditure.
- (Credits) Amortised use of capital grants deferred and capital contributions deferred originally used to finance capital expenditure.
- (Credits) Minimum revenue provision/loan repayments during the year.

The historic cost of acquiring and enhancing fixed assets

- Debits – Historic cost depreciation and impairment losses.
- Debits – Deferred charges written off to revenue.
- Debits – historic cost net book value of assets disposed of.

	2009/10 £'000	Restated 2008/09 £'000
Balance brought forward	2,392,466	2,665,050
Prior Year adjustment	(560)	(1,035)
Capital financing:		
- capital receipts	9,456	3,017
- revenue	31,982	22,439
Major Repairs Reserve	37,448	21,355
Reversal of Impairment charge to I & E A/C	(6,678)	(307,683)
Minimum Revenue Provision	6,529	21,295
Depreciation	(47,576)	(49,818)
Depreciation for year in respect of revalued amounts	2,390	2,912
Amortised Capital grants	3,835	3,650
Amortised Capital contributions	364	306
Leaseholders' capital contributions	7,560	4,405
NBV of assets disposed of	(9,819)	(7,321)
Debt repaid/ extinguishment of credit liabilities	10	123
REFCUS	(10,500)	(13,786)
REFCUS capital grants adjustment	8,753	13,071
Pre-application of Capital Receipts	<u>9,895</u>	<u>14,486</u>
Balance carried forward	<u>2,435,555</u>	<u>2,392,466</u>

Notes to the Accounts (continued)

The Balance Sheet

36. Useable Capital Receipts Reserve

The Local Government and Housing Act 1989 required that a percentage of capital receipts secured by local authorities after 1 April 1990 must be set aside to meet credit liabilities. This requirement ended on 31 March 2004. From 1 April 2004 local authorities have been required to pay to the Government a proportion of capital receipts from the sale of properties held in the Housing Revenue Account. Useable capital receipts are those receipts that are available to the Council after the above requirements have been met. Details of the sources and application of capital receipts are shown below:

	2009/10	2008/09
	£'000	£'000
Balance unapplied at 1 April	0	0
Receipts in Year		
Sale of Council dwellings	21,346	13,561
Sale of other land and buildings	2,730	6,285
Distribution of LRB receipts	0	115
Repayment of housing assoc loans/mortgages	10	123
Total Receipts	24,086	20,084
Application		
New capital expenditure	9,456	3,017
Capital Adjustment Account	10	123
Payment to national pool	1,627	2,458
Pre-application of capital receipts	9,895	14,486
Total Application	20,988	20,084
Balance unapplied at 31 March	3,098	0

37. Major Repairs Reserve

This reserve came into operation in 2001/02 and reflected a change in the HRA subsidy regime in that year. The movement in the reserve in 2009/10 was as follows:

	31 March 2010	31 March 2009
	£'000	£'000
Opening Balance 1 April	0	0
Transferred to Reserve in year	29,238	32,471
Transferred to HRA in year	8,210	(11,116)
Used to fund capital expenditure on operational HRA property in year	(37,448)	(21,355)
Closing Balance at 31 March	0	0

38. Earmarked Reserves

The following earmarked reserves were maintained during 2009/10:

	31 March 2010	31 March 2009
	£'000	£'000
Departmental reserves		
Finance	0	0
Organisational Development Customers, Strategy and Performance	0	21
Children's, Schools and Families	0	113
Housing and Adult Social Care	0	935
Culture and Environment	0	3,904
Total Departmental Reserves	0	5,117
Corporate Reserves		
Future Capital schemes a	30,532	45,094
Risk Management b	0	228
Commercial property c	2,517	2,882
Systems Modernisation Reserve d	0	1,986
Modernising Government e	0	43
Potential litigation f	0	670
Self-insurance reserve g	10,651	11,176
Mental Health Aftercare Reserve h	450	944
Haverstock School PFI Initial Payment reserve i	0	2,798
Haverstock School PFI reserve j	7,209	4,541
Corporate Initiatives k	1,032	1,810
Licensing l	0	381
Pay & Grading review m	1,221	1,938
Revenue Funding Reserve n	0	80
Mayors Charity reserve o	22	22
Dedicated Schools Grant p	1,124	881
Workforce Remodelling and Efficiency projects q	5,970	7,918
Parking Reserve r	3,656	3,656
Building Schools for the Future s	3,133	3,192
Revenue Support t	0	1,318
Recovery Fund u	3,470	6,000
Carbon Reduction Commitment v	259	0
Homes for Older People Reserve w	5,248	0
National Efficiency Reserve x	3,946	0
Multi Year Budget Reserve y	2,458	0
Total Corporate Reserves	82,898	97,558
Total Reserves	82,898	102,675

Notes to the Accounts – Note 38 (continued) The Balance Sheet

a Future Capital Schemes

This reserve has been created to cover the cost of various future schemes which have received formal approval.

b Risk Management

This reserve contains monies paid to the Council by its insurers and allocated through budgets for use on risk management initiatives.

c Commercial Property

This reserve has been set up to meet dilapidations and other payments in respect of commercial and other properties.

d Systems Modernisation Reserve

This reserve has been set up to meet the cost of the replacement and enhancement of the Council's major financial systems.

e Modernising Government

This reserve has been created to meet the costs of Modernising Government by developing e-services.

f Potential Litigation

A reserve has been created to protect the Council's position in relation to a number of legal actions.

g Self-insurance Reserve

In addition to the provision for reported claims, (see note 29) the Council has a reserve to cover against the cost of claims that have been incurred but not yet reported to the Council. This includes claims that are either partially or fully self-insured by the Council as well as claims that are uninsured for both the Council and the HRA. The reserve also includes provision made for the possible claw back of claims paid on policies taken out before 1 April 1993 by the Council with Municipal Mutual Insurance (MMI). MMI went into run off in September 1992 and is subject to a scheme of arrangement whereby any claims paid since January 1994 may be subject to partial or total claw back in the event of insolvency.

h Mental Health Aftercare Reserve

This reserve has been set up to meet the repayment of mental health aftercare charges under Section 117 of the Mental Health Act 1983.

i Haverstock School PFI Initial Payment reserve

This reserve has been set up to hold the funding for the initial payment made under the Haverstock School PFI contract.

j Haverstock School PFI reserve

This reserve has been set up to hold the balance of funding received in respect of the Haverstock School PFI.

k Corporate Initiatives

This reserve has been set up to provide funding for corporate initiatives.

l Licensing

This reserve has been set up to hold funding allocated for the new Licensing Act.

m Pay & Grading review

This reserve has been set up to hold unspent budget provision in 2009/10 and earlier years for the pay and grading review.

n Revenue Funding Reserve

This reserve was set up to hold the funding for additional revenue spending.

o Mayors Charity reserve

This reserve was set up to hold donations to the Mayor's Charity.

p Dedicated Schools Grant

This reserve was set up to hold unspent Dedicated Schools Grant which is reserved for the schools budget and which may be carried over to future years.

q Workforce Remodelling and Efficiency projects

This reserve was set up to fund costs that may arise from workforce remodelling and efficiency projects under the Better and Cheaper agenda.

r Parking Reserve

This reserve was set up to hold balances resulting from parking activities.

s Building Schools for the Future

This reserve was set up to fund preparatory work on the Building Schools for the Future programme.

t Revenue Support

This reserve was set up to hold funding for specific services in 2009/10.

u Recovery Fund

This reserve has been set up to respond to the effects of the recession within the community.

v Carbon Reduction Commitment

This reserve has been set up to provide funding for carbon reduction initiatives.

w Homes for Older People Reserve

This reserve has been set up to fund preparatory work on the Homes for Older People programme.

x National Efficiency Reserve

This reserve has been set up to help deal with the national efficiency savings targets announced by the new government

y Multi Year Budget Reserve

This reserve was set up to hold funding that is to be allocated the following year through multi-year budgeting.

Notes to the Accounts (continued)

The Balance Sheet

39. Schools Balances

Under the provisions of the Education Reform Act 1988, locally managed schools are able to carry forward unspent balances of delegated budgets from year to year. These form part of the Council's reserves but are not available to the authority to support its general activities as their use is at the discretion of the governors of schools holding the balances concerned.

Locally managed schools balances decreased by £0.059m during the course of 2009/10.

	£'000
Schools balances as at 1 April 2009	7,645
Movement in year	<u>(59)</u>
Schools balances at 31 March 2010	<u>7,586</u>

40. Analysis of Net assets employed

	31 March 2010	Restated 31 March 2009
	£'000	£'000
General Fund	1,276,966	434,826
HRA	917,891	1,853,033
	<u>2,194,857</u>	<u>2,287,859</u>

41. Contingent Liabilities

The councils Contingent Liabilities cover various ongoing litigations and guarantees, the detail of which is shown below. The total expected value of these liabilities is £10.4m.

Details of contingent liabilities	Estimated value of contingent liability (£'000)
--	--

Loan guarantee

Paddington Churches.

The Council acts as guarantor for a loan that Paddington Churches Housing Association has taken out with financial institutions. The loan was taken out to purchase properties that have subsequently been leased to the Council to use as social housing. The value of the loan is currently £5.1million; however the risk of the RLS defaulting is considered relatively low but it is prudent to register this as a Contingent Liability until the loan principal is reduced further.

250

Total for Loan Guarantees

250

Litigations

Shown below are the details of various litigations that were ongoing as at March 31, 2010.

Employee Related

A registered social landlord is in dispute with the council regarding a pension shortfall for a former member of staff who transferred to the company.

113

Prosecutions

The council is:

- prosecuting in relation to a case regarding a breach of Health and Safety and two cases for the non-payment of National non-Domestic Rates.

225

- being prosecuted in relation to a case of Noise Nuisance.

30

In both respects, if the council is unsuccessful in these prosecutions, then the council may be liable for costs and associated compensation.

Notes to the Accounts – Note 41 (continued)

The Balance Sheet

	£'000
<u>Civil Litigation and Housing Related</u>	
The council is currently in dispute on a number of issues, which are summarised below:	
- procurement/contracting disputes	2,629
- damages for council actions	294
- leaseholder related services	1,980
- disrepair of property	147
- car parking related services	4,700
Total for Litigations	10,118
<u>Pension Liability</u>	
London Pension Fund Authority back funding for closed sub-fund deficit for former GLA, ILEA and LRB employees	385
Total for Pension Liabilities	385
Total	10,753

All the above litigations are prudent estimates of the potential cost to the council. It is not possible, due to considerations of legal privilege to either provide further information or to give an assessment of the likelihood of success of any of the litigations.

42. Date of Accounts being authorised for issue

The Draft Statement of Accounts was authorised for issue on 16th June 2010 by Mike O'Donnell, Director of Finance.

43. Post Balance Sheet Events

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the value of an average employer's FRS17 liabilities in the Fund by around 6-8%.

Notes to the Accounts (continued)

The Balance Sheet

44. Details of Movements on Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans.

Reserve	Balance at 31 March 2010 £'000	Net Movement in Year £'000	Restated Balance at 1 April 2009 £'000	Purpose of Reserve	Further Details of Movement
Revaluation Reserve	289,118	220,164	68,954	Store of gains on revaluation of fixed assets not yet realised through sales	See Note 34 to the Core Financial Statement
Capital Adjustment Account	2,435,555	43,089	2,392,466	Store of capital resources set aside to meet past expenditure	See Note 35 to the Core Financial Statement
Financial Instruments Adjustment Account	(5,919)	1,122	(7,041)	Balancing Account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments.	
Useable Capital Receipts	3,098	3,098	0	Proceeds of fixed asset sales available to meet future capital investment	See Note 36 to the Core Financial Statement
Major Repairs Reserve	0	0	0	Resources available to meet capital investment in Council housing	See Note 37 to the Core Financial Statement
Earmarked Reserves	82,898	(19,777)	102,675	Revenue resources earmarked for specific purposes	See Note 38 to the Core Financial Statement
Pensions Reserve	(700,796)	(337,490)	(363,306)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	See Note 46 to the Core Financial Statement
Collection Fund Adjustment Account	944	(820)	1,764	Store of adjustments to the Collection Fund in line with accounting practice	Collection Fund Statement page 94
Housing Revenue Account	69,520	(3,608)	73,128	Resources available to meet future running costs for council houses	Housing Revenue Account Statement page 89 to 93
Schools Balances	7,586	(59)	7,645	Balances of schools delegated budgets	See Note 39 to the Core Financial Statement
General Fund	12,854	1,280	11,574	Resources available to meet future running costs for non-housing services	Statement of Movement on the General Fund Balance page 26
Total	2,194,858	(93,001)	2,287,859		

Notes to the Accounts (continued)

The Balance Sheet

45. Trust Funds and Other Accounts

The Authority administers a number of trust accounts. The balances on these funds are not included in the Balance Sheet.

	Balance at 1 April 2009	Receipts 2009/2010	Payments 2009/2010	Balance at 31 March 2010
	£	£	£	£
Education	(8,788)	(44)	0	(8,832)
Social Services	(37,711)	(3,655)	500	(40,866)
Other Funds	(197,265)	(729)	3,124	(194,870)
Waterlow Park	(227,590)	(322,093)	335,877	(213,806)
Emmanuel Vincent Harris Trust	(4,232,702)	(19,750)	181,043	(4,071,409)
	(4,704,056)	(346,271)	520,544	(4,529,783)

In addition, the authority administers funds on behalf of Adult Social Care service clients including funds administered by officers as Court appointee or receiver. The amount of these funds as at 31 March 2010 was £4.572 million (£3.791 million as at 31 March 2009).

46. Pension and Similar Obligations

The Statement of Accounting Policies includes a section dealing with the pension schemes in which the Council participates and Note 12 to the core financial statements includes information regarding revenue expenditure by the Council on pensions. The accounts of Camden's Pension Fund are also included in this Statement. This note includes the further pension information required under Financial Reporting Standard 17 (FRS 17) that requires the pension asset or liability to be incorporated into the Balance Sheet.

The Council's employees belong to three principal pension schemes: the London Borough of Camden Pension Fund, the London Pensions Fund for non-teaching staff who transferred from the Inner London Education Authority (managed by the London Pensions Fund Authority) and the Teachers Superannuation Scheme (TSS) for teaching staff

managed by the Teacher Pensions Agency). All are defined benefit schemes.

The full implementation of FRS 17 requires the establishment of a pension reserve equal and opposite to the amount of any pension asset or liability. Accordingly there is no impact on the general fund reserves.

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance.

Notes to the Accounts – Note 46 (continued)

The Balance Sheet

London Borough of Camden Pension Fund

The London Borough of Camden Pension Fund is a multi-employer funded pension scheme, with assets held in separately administered funds. It is a defined benefit final salary scheme.

Financial Assumptions

The assumptions that have the most significant effect on the valuations for this Fund are as follows: -

	As at 31 March 2010 % per annum	As at 31 March 2009 % per annum
Inflation/Pension Rate increase	3.8%	3.1%
Salary Increase Rate	5.3%	4.6%
Expected Return on Assets	7.3%	6.5%
Discount Rate	5.5%	6.9%

The expected rates of return on assets by category were:

	31 March 2010 % per annum	As at 31 March 2009 % per annum
Equities	7.8%	7.0%
Bonds	5.0%	5.4%
Property	5.8%	4.9%
Cash	4.8%	4.0%

Mortality

Life expectancy has been based on actuarial tables, projected to calendar year 2017 for non-pensioners and 2033 for pensioners. Based on these assumptions, the average future life expectancies at age 65 are summarised below

	Males	Females
Current pensioners	20.8 years	24.1 years
Future pensioners	22.3 years	25.7 years

Notes to the Accounts – Note 46 (continued)

The Balance Sheet

The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year

Recognition in the Income and Expenditure Account

	Year to 31 March 2010 £'000	Year to 31 March 2009 £'000
Current Service Cost	14,250	16,662
Interest Cost	61,525	63,262
Expected return on Employer Assets	(35,434)	(47,857)
Past Service Costs	144	7,558
Losses/(Gains) on Curtailments and Settlements	892	2,032
Total	41,377	41,657
Actual Return on Plan Assets	220,896	(139,458)

Reconciliation of Defined Benefit Obligation

	Year to 31 March 2010 £'000	Year to 31 March 2009 £'000
Opening Defined Benefit Obligation	896,649	915,841
Current Service Cost	14,250	16,662
Interest Cost	61,525	63,262
Contributions by members	9,648	9,504
Actuarial Losses/(Gains)	505,313	(84,480)
Past Service Costs/(Gains)	144	7,558
Losses/(Gains) on Curtailments	892	2,032
Liabilities extinguished on Settlements	0	0
Estimated Unfunded Benefits Paid	(3,101)	(3,774)
Estimated Benefits Paid	(31,960)	(29,956)
Closing Defined Benefit Obligation	1,453,360	896,649

Notes to the Accounts – Note 46 (continued)

The Balance Sheet

Reconciliation of Fair Value of Employer Assets

	Year to 31 March 2010 £'000	Year to 31 March 2009 £'000
Opening Fair Value of Employer Assets	539,304	664,652
Expected Return on Assets	35,434	47,857
Contributions by Members	9,648	9,504
Contributions by the Employer	34,314	34,050
Contributions in respect of Unfunded Benefits	3,101	3,774
Actuarial Gains/(Losses)	185,300	(186,804)
Assets Acquired on Settlements	0	0
Unfunded Benefits Paid	(3,101)	(3,774)
Benefits Paid	(31,960)	(29,956)
Closing Fair Value of Employer Assets	<u>772,040</u>	<u>539,303</u>

Balance Sheet disclosures as at 31 March 2010

Fair Value of Employer Assets

These asset values are at bid value as required by FRS17. In previous accounting periods the value of assets has been reported at mid-market values. Consequently, the values for year ended 31 March 2008 have been restated to give consistency.

	31 March 2010 £'000	31 March 2009 £'000
Equities	617,632	399,085
Bonds	100,365	75,503
Property	38,602	37,751
Cash	15,441	26,964
Total	<u>772,040</u>	<u>539,303</u>

Net Pension Liability in Balance Sheet

	31 March 2010 £'000	31 March 2009 £'000
Fair Value of Employer Assets	772,040	539,303
Present value of funded liabilities	(1,406,667)	(847,281)
Net (Under)/Overfunding in Funded Plans	(634,627)	(307,978)
Present Value of Unfunded Liabilities	(46,693)	(49,368)
Unrecognised Past Service Cost	0	0
Net Asset/(Liability)	<u>(681,320)</u>	<u>(357,346)</u>
Amount in the Balance sheet		
Liabilities	681,320	357,346
Assets	0	0
Net Asset/(Liability)	<u>(681,320)</u>	<u>(357,346)</u>

Notes to the Accounts – Note 46 (continued)

The Balance Sheet

Amounts for the current and previous accounting periods

	Year to 31 March 2010 £'000	Year to 31 March 2009 £'000	Year to 31 March 2008 £'000	Year to 31 March 2007 £'000	Year to 31 March 2006 £'000
Fair Value of Employer Assets	772,040	539,303	664,651	698,526	648,716
Present Value of Defined Benefit Obligation	(1,453,360)	(896,649)	(915,841)	(998,200)	(999,250)
Surplus/(Deficit)	(681,320)	(357,346)	(251,190)	(299,674)	(350,534)
Experience Gains/(Losses) on Assets	185,300	(186,804)	(92,700)	(7,179)	82,458
Experience Gains/(Losses) on Liabilities	9,473	(220)	(18,243)	(945)	44

Amount Recognised in Statement of Total Recognised Gains and Losses (STRGL)

	Year to 31 March 2010 £'000	Year to 31 March 2009 £'000	Year to 31 March 2008 £'000	Year to 31 March 2007 £'000	Year to 31 March 2006 £'000
Actuarial Gains/(Losses)	(320,012)	(102,324)	42,280	52,926	(34,218)
Increase/(Decrease) in Irrecoverable Surplus from Membership	0	0	0	0	0
Actuarial Gains/(Losses) recognised in STRGL	(320,012)	(102,324)	42,280	52,926	(34,218)
Cumulative Actuarial Gains and Losses	(429,783)	(109,771)	(7,447)	(49,727)	(102,653)

Notes to the Accounts – Note 46 (continued)

The Balance Sheet

London Pensions Fund Authority Pension Fund

The London Pensions Fund Authority Pension Fund is a multi-employer funded pension scheme, with assets held in separately administered funds. It is a defined benefit final salary scheme.

Financial Assumptions

The assumptions that have the most significant effect on the valuations for this Fund are as follows: -

	As at 31 March 2010 % per annum	As at 31 March 2009 % per annum
Inflation/Pension Rate increase	3.9%	3.1%
Salary Increase Rate	5.4%	4.6%
Expected Return on Assets	5.1%	4.4%
Discount Rate	5.5%	6.9%

The expected rates of return on assets by category were:

	31 March 2010 % per annum	31 March 2009 % per annum
Cashflow Matching	4.5%	4.2%
Equity	7.3%	7.0%
Cash	3.0%	4.0%
Target Return Portfolio	5.0%	-

Mortality

Life expectancy has been based on actuarial tables, projected to calendar year 2017 for non-pensioners and 2033 for pensioners. Based on these assumptions, the average future life expectancies at age 65 are summarised below

	Males	Females
In 2007	21.0 years	23.4 years
In 2027	22.0 years	24.2 years

The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year

Recognition in the Income and Expenditure Account

	Year to 31 March 2010 £'000	Year to 31 March 2009 £'000
Current Service Cost	314	320
Interest Cost	2,225	2,328
Expected return on Employer Assets	(1,132)	(1,499)
Past Service Costs	0	210
Losses/(Gains) on Curtailments and Settlements	83	28
Total	1,490	1,387
Actual Return on Plan Assets	3,104	(2,846)

Notes to the Accounts – Note 46 (continued)

The Balance Sheet

Reconciliation of Defined Benefit Obligation

	Year to 31 March 2010 £'000	Year to 31 March 2009 £'000
Opening Defined Benefit Obligation	33,040	34,331
Current Service Cost	314	320
Interest Cost	2,225	2,328
Contributions by members	126	113
Actuarial Losses/(Gains)	14,585	(2,409)
Past Service Costs/(Gains)	0	210
Losses/(Gains) on Curtailments	83	28
Liabilities extinguished on Settlements	0	0
Estimated Unfunded Benefits Paid	(62)	(60)
Estimated Benefits Paid	(1,982)	(1,821)
Closing Defined Benefit Obligation	48,329	33,040

Reconciliation of Fair Value of Employer Assets

	Year to 31 March 2010 £'000	Year to 31 March 2009 £'000
Opening Fair Value of Employer Assets	27,080	31,120
Expected Return on Assets	1,132	1,499
Contributions by Members	126	113
Contributions by the Employer	524	642
Contributions in respect of Unfunded Benefits	62	60
Actuarial Gains/(Losses)	1,973	(4,473)
Assets Acquired on Settlements	0	0
Unfunded Benefits Paid	0	(60)
Benefits Paid	(2,044)	(1,821)
Closing Fair Value of Employer Assets	28,853	27,080

Notes to the Accounts – Note 46 (continued)

The Balance Sheet

Balance Sheet disclosures as at 31 March 2010

Fair Value of Employer Assets

These asset values are at bid value as required by FRS17. In previous accounting periods the value of assets has been reported at mid-market values. The values for year ended 31 March 2008 have not been restated.

	31 March 2010 £'000	31 March 2009 £'000
Cash-flow Matching	10,964	24,643
Equity	3,174	2,166
Cash	(866)	271
Target Return Portfolio	15,581	0
Total	28,853	27,080

Net Pension Liability in Balance Sheet

	31 March 2010 £'000	31 March 2009 £'000
Fair Value of Employer Assets	28,853	27,080
Present value of funded liabilities	(47,377)	(32,155)
Net (Under)/Overfunding in Funded Plans	(18,524)	(5,075)
Present Value of Unfunded Liabilities	(952)	(885)
Unrecognised Past Service Cost	0	0
Net Asset/(Liability)	(19,476)	(5,960)
Amount in the Balance sheet	19,476	
Liabilities	0	5,960
Assets	0	0
Net Asset/(Liability)	(19,476)	(5,960)

Notes to the Accounts – Note 46 (continued)

The Balance Sheet

Amounts for the current and previous accounting periods

	Year to 31 March 2010	Year to 31 March 2009	Year to 31 March 2008	Year to 31 March 2007	Year to 31 March 2006
	£'000	£'000	£'000	£'000	£'000
Fair Value of Employer Assets	28,853	27,080	31,120	30,406	30,310
Present Value of Defined Benefit Obligation	(48,329)	(33,040)	(34,331)	(40,229)	(40,960)
Surplus/(Deficit)	(19,476)	(5,960)	(3,211)	(9,823)	(10,650)
Experience Gains/(Losses) on Assets	1,973	(4,473)	1,113	1	1,128
Experience Gains/(Losses) on Liabilities	109	(26)	3,348	20	(19)

Amount Recognised in Statement of Total Recognised Gains and Losses (STRGL)

	Year to 31 March 2010	Year to 31 March 2009	Year to 31 March 2008	Year to 31 March 2007	Year to 31 March 2006
	£'000	£'000	£'000	£'000	£'000
Actuarial Gains/(Losses)	(12,612)	(2,064)	7,152	1,497	(2,712)
Increase/(Decrease) in Irrecoverable Surplus from Membership	0	0	0	0	0
Actuarial Gains/(Losses) recognised in STRGL	(12,612)	(2,064)	7,152	1,497	(2,712)
Cumulative Actuarial Gains and Losses	(18,382)	(5,770)	(3,706)	(10,858)	(12,355)

Notes to the Accounts – Note 46 (continued)

The Balance Sheet

Combined Net Pension Liability

The combined net pension liability is made up as follows: -

	Net Pension Liability at 31 March 2010 £'000	Net Pension Liability at 31 March 2009 £'000
Camden Fund	(681,320)	(357,346)
London Pension Fund Authority	(19,476)	(5,960)
Total	(700,796)	(363,306)

Teachers Pension Scheme

The Council participates in the Teachers Pension Scheme. This is an unfunded, defined benefit multi-employer scheme, independent from the Council. The Council is unable to identify its share of the underlying liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme. Contributions to the scheme for the year were £6.024m and the agreed employer contribution rate from 1 April 2010 is 14.09%.

The Cash Flow Statement

Notes to the Accounts

47. Other Government Revenue Grants

	2009/10	2008/09
	£'000	£'000
Asylum Seekers	394	2,527
Childcare Development	5,819	4,053
Children's Fund	0	0
Council Tax grants	1,118	1,097
Dedicated Schools Grant	126,085	122,965
HRA Subsidy	43,110	29,180
Mental Health Grants	0	30
Learning & Skills Council	17,086	17,783
Preserved Rights	0	0
Promoting Independence Grant	0	34
School Standards Grant	5,124	5,004
Standards Fund	18,978	13,702
Sure Start	2,148	3,086
Transport for London	467	2,031
Connexions	113	485
PFI grant	1,717	1,717
Supporting People Programme grant	32,240	33,937
New Opportunities Fund	30	550
Local Authority Business Growth Incentive (LABGI)	329	388
Carers Grant	0	0
Local Area Agreement (LAA)	0	0
Working Neighbourhood Fund	20	4,480
Area Based Grant	20,887	13,407
LPSA	1,819	0
Other grants	5,390	5,884
	282,874	262,340

48. Reconciliation of Revenue Cash Flow

	2009/10	Restated 2008/09
	£'000	£'000
Net General Fund Revenue deficit/(surplus)	(1,280)	6,261
Net HRA revenue deficit	3,608	2,017
Net Collection Fund revenue deficit/(surplus)	0	4,008
Expenditure debited to holding accounts and provisions	2,427	2,445
Deduct interest paid	(22,390)	(25,920)
Deduct contributions to provisions and reserves	(24,744)	(24,701)
Deduct revenue contributions to capital	(31,982)	(22,476)
Creditors increase	(13,045)	(30,461)
Increase/(decrease) in stock	49	(6)
Add interest received	11,138	15,936
Other financing	(66,571)	(47,413)
Minimum revenue provision	504	780
Add contributions from provisions and reserves	40,357	9,437
Debtors increase	24,129	14,341
Revenue activities net cash inflow	(51,710)	(95,752)

49. Net Debt

	31 March	Movement	Restated 31 March
	2010	In year	2009
	£'000	2009/10	2009
		£'000	£'000
Cash in hand/at bank	10,209	(3,489)	13,698
Cash overdrawn	0	2,908	(2,908)
Debt greater than one year	(352,594)	485	(353,079)
Debt less than one year	(4,771)	(4,158)	(613)
Current Asset Investments	158,047	45,447	112,600
Long Term Investments	57,000	(60,000)	117,000
	(132,109)	(18,807)	(113,302)

Notes to the Accounts (continued)

The Cash Flow Statement

50. Movement in Net Debt

	2009/10	Restated 2008/09
	£'000	£'000
Increase/(decrease) in cash	(581)	1,053
Add Back	0	0
Cash flow from increase/decrease in debt and lease financing	(3,674)	49,740
Cash flow from increase in liquid resources	(14,552)	(16,659)
Change in net debt resulting from cash flows	(18,807)	34,134
Net Debt at 1 April	(113,302)	(147,436)
Net Debt at 31 March	(132,109)	(113,302)

Liquid Resources includes money on call/short notice and that held with cash managers.

51. Management of Liquid Resources

	2009/10	Restated 2008/09
	£'000	£'000
Money on call or at short notice		
- deposited	3,281,281	1,290,065
- returned	(3,306,081)	(1,296,720)
Others	10,247	0
	(14,553)	(6,655)

52. Movement in Cash

	31 March 2010	31 March 2009
	£'000	£'000
Cash with accounting officers	100	104
Cash at bank (with no penalty)	10,109	13,594
Cash overdrawn	0	(2,908)
	2009/10	2008/09
	£'000	£'000
Movement in cash with accounting officers	4	(2)
Movement in cash at bank (with no penalty)	3,485	(1,947)
Movement in cash overdrawn	(2,908)	896
Net cash (inflow)/outflow	581	(1,053)

Notes to the Accounts (continued)**53. Prior Period Adjustment (Income and Expenditure and Balance Sheet)**

As a result of:

Errors in Presentation

Previously the council has included:

1. The costs associated with the Corporate and Democratic Core and Non-Distributed Costs within Central Services. This is not in accordance with the required BVACOP analysis and is now shown separately within the Net Cost of Service.

2. Housing and Planning Delivery Grant within Cultural, Environmental Regulatory & Planning Services within the Net Cost of Service. This grant is not a specific grant and thus in accordance with the requirements of SORP this should be a general grant.

Consequently, this been removed from the Net Cost of Service and accounted for within General Government Grants.

Changes Pursuant to SORP 2009**3. Collection Fund**

SORP 2009 has changed the accounting arrangements for Council Tax and National Non-Domestic Rates. Since April 2009, Council Tax, that is collected on behalf of a precepting Council (e.g. the Greater London Authority) and National Non-Domestic Rates, that is collected for Central Government as a contribution to the NNDR pool, has to be accounted for under agency arrangements.

4. Private Finance Initiative (PFI)

The council has two PFI contracts, Haverstock School and Chalcot Council Dwelling Refurbishment that in the past have been accounted for "off-balance sheet". However, SORP 2009 now requires that the council has to bring these PFI contracts "on-balance sheet".

Restatement for Net Cost of Services within the Income and Expenditure Account

	2008/09 Original			2008/09 Restated		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social Care	103,174	(19,548)	83,626	103,174	(19,548)	83,626
Central Services	58,962	(36,608)	22,354	42,166	(36,492)	5,674
Children's and Education Services	319,844	(197,585)	122,259	309,690	(197,585)	112,105
Cultural, Environmental Regulatory & Planning Services	113,582	(33,193)	80,389	113,582	(33,106)	80,476
Highways and Transport Services	46,051	(44,647)	1,404	46,051	(44,647)	1,404
Housing Services - non HRA	213,292	(195,978)	17,314	213,292	(195,978)	17,314
Housing Services - HRA	395,399	(175,456)	219,943	375,175	(175,456)	199,719
Corporate & Democratic Core	0	0	0	6,883	(116)	6,767
Non-Distributed Costs	0	0	0	9,913	0	9,913
Net Cost of Services	1,250,304	(703,015)	547,289	1,219,926	(702,928)	516,998

Notes to the Accounts – Note 53 (continued)

Restatement of the Income and Expenditure Account

	2008/09		Net Change				2008/09	
	Original	Errors in Presentation		Changes Pursuant to SORP 2009		Total Changes	Restated	
		Net Expenditure	1.	2.	3.	4.		Net Expenditure
			£'000	BVACOP	General Grant	Collection Fund		
Adult Social Care	83,626	0	0	0	0	0	83,626	
Central Services	22,354	(16,680)	0	0	0	(16,680)	5,674	
Children's and Education Services	122,259	0	0	0	(10,154)	(10,154)	112,105	
Cultural, Environmental Regulatory & Planning Services	80,389	0	87	0	0	87	80,476	
Highways and Transport Services	1,404	0	0	0	0	0	1,404	
Housing Services - non HRA	17,314	0	0	0	0	0	17,314	
Housing Services - HRA	219,943	0	0	0	(20,224)	(20,224)	199,719	
Corporate & Democratic Core	0	6,767	0	0	0	6,767	6,767	
Non-Distributed Costs	0	9,913	0	0	0	9,913	9,913	
Net Cost of Services	547,289	0	87	0	(30,378)	(30,291)	516,998	
Gains on disposal of fixed assets	(11,069)	0	0	0	0	0	(11,069)	
Levies by other authorities	1,948	0	0	0	0	0	1,948	
Surplus transferred from trading accounts	(672)	0	0	0	0	0	(672)	
Interest payable	26,805	0	0	0	13,370	13,370	40,175	
Contribution to Housing Pooled Capital Receipts	2,458	0	0	0	0	0	2,458	
Interest and investment income	(16,974)	0	0	0	0	0	(16,974)	
Pensions Interest Cost and expected return on pension assets	16,234	0	0	0	0	0	16,234	
Net operating expenditure (overall review)	566,019	0	87	0	(17,008)	(16,921)	549,098	
Precept demand from the Collection Fund	(95,616)	0	0	0	0	0	(95,616)	
Prior Year Collection Fund surplus	(3,097)	0	0	4,007	0	4,007	910	
General Government Grants	(33,402)	0	(87)	0	0	(87)	(33,489)	
Contribution from NNDR Pool	(140,850)	0	0	0	0	0	(140,850)	
Total income from grant and taxpayers	(272,965)	0	(87)	4,007	0	3,920	(269,045)	
Deficit/(Surplus) for the year	293,054	0	0	4,007	(17,008)	(13,001)	280,053	

Notes to the Accounts – Note 53 (continued)

Restatement of the Balance Sheet

	2008/09		Net Change				2008/09
	Original	Errors in Presentation		Changes Pursuant to SORP 2009		Total Changes	Restated
		1. BVACOP	2. General Grant	3. Collection Fund	4. PFI		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assets							
Intangible assets	1,193	0	0	0	0	0	1,193
Tangible Fixed assets	0	0	0	0	0	0	
Operational assets							
Council Dwellings	1,965,941	0	0	0	57,915	57,915	2,023,856
Other land and buildings	664,487	0	0	0	17,605	17,605	682,092
Vehicles, plant, furniture and equipment	1,828	0	0	0	0	0	1,828
Infrastructure assets	159,645	0	0	0	0	0	159,645
Community assets	15,897	0	0	0	0	0	15,897
Non-Operational assets							
Investment assets	171,919	0	0	0	0	0	171,919
Assets under construction	20,466	0	0	0	0	0	20,466
Surplus assets held for disposal	10,699	0	0	0	0	0	10,699
	3,010,882	0	0	0	75,520	75,520	3,086,402
Long-term Investments	121,802	0	0	0	0	0	121,802
Long-term Debtors	1,118	0	0	0	0	0	1,118
Total long-term assets	3,134,995	0	0	0	75,520	75,520	3,210,515
Current Assets							
Stocks	225	0	0	0	0	0	225
Debtors and payments in advance	63,246	0	0	(2,201)	5,916	3,715	66,961
Investments	115,411	0	0	0	0	0	115,411
Cash and bank	13,698	0	0	0	0	0	13,698
	192,580	0	0	(2,201)	5,916	3,715	196,295
Less current liabilities							
Borrowing repayable within one year	(17,670)	0	0	0	(11,941)	(11,941)	(29,611)
Creditors	(188,032)	0	0	2,477	0	2,477	(185,555)
Bank overdraft	(2,908)	0	0	0	0	0	(2,908)
	(208,610)	0	0	2,477	(11,941)	(9,464)	(218,074)
Net current assets/(liabilities)	(16,030)	0	0	276	(6,025)	(5,749)	(21,779)
Total assets less current liabilities	3,118,965	0	0	276	69,495	69,771	3,188,736
Long-term loans outstanding	(365,040)	0	0	0	(52,487)	(52,487)	(417,527)
Capital grants deferred	(110,939)	0	0	0	0	0	(110,939)
Deferred capital income	(1,015)	0	0	0	0	0	(1,015)
Provisions	(8,090)	0	0	0	0	0	(8,090)
Pensions Liability	(363,306)	0	0	0	0	0	(363,306)
Total long-term liabilities	(848,390)	0	0	0	(52,487)	(52,487)	(900,877)
Total assets less liabilities	2,270,575	0	0	276	17,008	17,284	2,287,859

Notes to the Accounts – Note 53 (continued)

Financed by:

	2008/09		Net Change				2008/09
	Original	Errors in Presentation		Changes Pursuant to SORP 2009		Total Changes	Restated
		1. BVACOP	2. General Grant	3. Collection Fund	4. PFI		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revaluation Reserve	68,954	0	0	0	0	0	68,954
Available for Sale Financial Instruments Reserve	0	0	0	0	0	0	0
Capital Adjustment Account	2,375,458	0	0	0	17,008	17,008	2,392,466
Financial Instruments Adjustment Account	(7,041)	0	0	0	0	0	(7,041)
Useable Capital Receipts Reserve	0	0	0	0	0	0	0
Major Repairs Reserve	0	0	0	0	0	0	0
Earmarked Reserves	102,675	0	0	0	0	0	102,675
Pension Reserve	(363,306)	0	0	0	0	0	(363,306)
Collection Fund Adjustment Account	0	0	0	1,764		1,764	1,764
Balances							
- Collection Fund (Camden share)	1,488	0	0	(1,488)	0	(1,488)	0
- HRA	73,128	0	0	0	0	0	73,128
- Locally Managed Schools	7,645	0	0	0	0	0	7,645
- General Balances	11,574				0	0	11,574
Total Equity	2,270,575	0	0	276	17,008	17,284	2,287,859

The Prior Year Adjustments to net cost of service and balance sheet have also been adjusted for in other core and supplementary statements and associated notes to the accounts.

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 March 2010

	Notes	2009/10 £'000	Restated 2008/09 £'000
Income			
Rents – dwellings	1,2,3,5	(103,275)	(99,537)
– non-dwellings		(9,782)	(10,512)
Charges for services and facilities		(20,089)	(19,598)
Leaseholder charges – revenue		(12,509)	(11,177)
Leaseholder charges – capital		(7,404)	(4,285)
HRA Subsidy	4	(41,360)	(29,677)
Supporting People Grant		(517)	(427)
Government Grants deferred		(177)	(243)
Total income		(195,113)	(175,456)
Expenditure			
Repairs and maintenance		48,191	48,455
Supervision and management	– General	24,281	23,963
	– Special services	21,570	21,462
PFI Costs		2,490	7,383
Rents, rates and other charges		15,545	13,063
Increased/(decreased) provision for bad debts		(934)	(787)
Depreciation	7	31,227	33,736
Impairment	7	1,389	243,631
Debt Management Expenses		183	280
Prior Year Adjustment - PFI		0	(18,173)
Total expenditure		143,942	373,013
Net Cost of HRA Services per whole authority Income and Expenditure Account			
		(51,171)	197,557
HRA services share of Corporate and Democratic Core		2,693	2,162
Net Cost of HRA services		(48,478)	199,719
Loss/(Gain) on sale of HRA fixed Assets		(12,404)	(8,958)
Interest payable and similar charges	6	28,066	32,079
Premium		0	1,062
Investment Income		(266)	(2,122)
Pensions interest cost and expected return on pensions assets	8	4,238	2,636
(Surplus)/Deficit for the year on HRA services		(28,844)	224,416

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 March 2010

(continued)

	Notes	2009/10 £'000	Restated 2008/09 £'000
Statement of Movement on the HRA Balance			
(Surplus)/Deficit for the year on the HRA Income and Expenditure Account		(28,844)	224,416
Net additional amount required by statute to be debited or credited to the HRA balance for the year	10	32,452	(222,399)
(Increase) or decrease in the Housing Revenue Account Balance		3,608	2,017
Housing Revenue Account surplus brought forward		(73,128)	(75,145)
(Increase) or decrease in the Housing Revenue Account Balance		3,608	2,017
Housing Revenue Account surplus carried forward	9	(69,520)	(73,128)

Notes to the Housing Revenue Account

1. Gross Rent Income

Gross rent income is the total rent income due for the year after allowance is made for vacant properties. During the year 1.60% of properties used for permanent accommodation were vacant (1.31% in 2008/09). The average rent for all stock excluding service charges was £84.44 per week in 2009/10, an increase of £2.64 or 3.22%, over the 2008/09 level of £81.90 per week.

2. Housing Stock

The Council was responsible at 31 March 2010 for managing self-contained and shared dwellings. The stock was as follows:

	2009/10	2008/09
Property	No.	No.
Bedsitter/1 Bed accommodation	9,942	10,018
2 Bed accommodation	7,469	7,495
3 Bed accommodation	4,895	4,918
4 Bed+ accommodation	1,411	1,425
Multi-occupied dwellings		
Shared units *	173	229
Total	23,890	24,085

*Dwelling equivalent

The change in stock can be summarised as follows:

	2009/10	2008/09
Stock at 1 April	24,085	24,245
Less sales, demolitions, etc	(195)	(160)
Stock at 31 March	23,890	24,085

3. Rent Arrears

The arrears at 31 March 2010 were £4.751m (£5.072m at 31 March 2009). Amounts written off during the year totalled £0.894m (£0.918m in 2008/9) and the provision for bad debts at the year-end totalled £3.116m (£3.8520m at 31 March 2009).

4. HRA Subsidy

HRA Subsidy is a grant paid by the Department for Communities and Local Government (DCLG) towards the costs of local authority housing. It represents the shortfall of notional rent and other income against expenditure deemed by the DCLG to have been incurred for management and maintenance and charges for capital. Income is calculated as follows:

	2009/10	2008/09
	£'000	£'000
Notional expenditure		
Management and maintenance	65,515	66,049
Major Repairs Allowance	37,449	21,355
Charges for capital	27,650	32,218
PFI	6,824	6,824
Other	8,056	7,578
Total notional expenditure	145,493	134,024
Notional income		
Rents	(104,131)	(106,376)
Other	(3)	(6)
Total notional income	(104,135)	(106,382)
HRA Subsidy	41,360	27,642
Prior Year Adjustment	0	2,035
	41,360	29,677

Notes to the Housing Revenue Account (continued)

5. Rent Rebates

Assistance with rents is available under the Housing Benefits scheme for those on low incomes. About 72% of the Council's tenants were receiving some help with the costs of rent charges at 31 March 2010.

	2009/10 £'000	2008/09 £'000 Restated
Gross rent income	103,275	99,537
Gross tenant service charge income	10,662	10,473
Total	113,937	110,010
Rent rebates	74,673	71,783
Rebates as % of rent income	66.0%	65.0%

Housing Benefit is administered by the Finance Department under regulations laid down by the Department for Work and Pensions (DWP). The cost of rent rebates granted to council tenants is covered by government subsidy. Any residual net amount is met by council tax payers and details are given in Note 3 to the Income and Expenditure Account.

6. Interest Charges

Interest charges met by the Housing Revenue Account are charged by the General Fund in accordance with the Item 8 Credit and Item 8 Debit (General) determination made by the Secretary of State under part II of schedule 4 to the Local Government and Housing Act 1989.

7. Depreciation

The Item 8 Determination states that the HRA should be charged with depreciation.

Depreciation is made up as follows:

	2009/10 £'000	Restated 2008/09 £'000
Operational Assets-dwellings	29,861	32,487
Operational Assets-other	1,366	1,249
Impairments	1,389	243,631
Total	32,616	277,367

8. HRA Contribution to the Pension Reserve

Under FRS 17, the pension amount charged to each council service is the amount of pension benefit earned in the year, as determined by the actuary. This replaces the cash contributions made by services to the Pension Fund. This principle has been applied to the HRA. In addition, the HRA has been charged with its share of the pension interest cost and the return on pension assets, and these, together with the change in service costs have been matched by an appropriation to/from the Pension Reserve such that the net outturn on the HRA is not altered by these accounting adjustments.

9. Surplus Carried Forward to Earmarked Reserves

The balance represented by the accumulated surplus of £69.520m at the end of the year was earmarked for the following purposes:

	2009/10 £'000	2008/09 £'000
Capital schemes – programmed	35,150	35,150
Major repairs programme	20,293	23,641
Heating Pool	1,856	753
Residential Leases	4,607	6,400
Working balance	7,614	7,184
	69,520	73,128

Notes to the Housing Revenue Account (continued)

10. Note to the Statement of Movement on the HRA Balance

	2009/10 Net Expenditure Notes £'000	Restated 2008/09 Net Expenditure £'000
Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA Balance for the year		
Difference between amounts charged to Income and Expenditure for amortisation of premiums and discounts and the charge for the year in accordance with statute	167	749
Gain/loss on sales of HRA fixed assets	12,404	8,958
Government Grants Deferred Amortisation	177	243
REFCUS	0	17
Net charges made for retirement benefits in accordance with FRS17	8 (6,548)	(5,440)
Total	6,200	4,527
Amounts not included in the HRA Income and Expenditure Account but required to be included by statute when determining the Movement on the HRA Balance for the year		
Transfer from the Major Repairs Reserve	8,211	(11,116)
Transfer from Capital Adjustment Account re Impairment	2,271	(229,949)
Capital Expenditure funded by the HRA	2,475	4,161
RCCO – Leaseholder contributions	7,561	4,405
Employers contributions payable to the pension funds and retirement benefits payable direct to pensioners	8 5,734	5,573
Total	26,252	(226,926)
Net additional amount required by statute and non-statutory proper practices to be credited or debited to the HRA Balance for the year	32,452	(222,399)

London Borough of Camden – Statement of Accounts 2009/10

COLLECTION FUND REVENUE ACCOUNT for the year ended 31 March 2010

	Notes	2009/10 £'000	2009/10 £'000	2008/09 £'000	2008/09 £'000
Income					
Council Tax					
Income from council tax (net of benefits)	1,2,3,4	(102,479)		(101,307)	
Council Tax benefits		(26,411)	(128,890)	(25,252)	(126,559)
Decrease in provision for uncollectable amounts	5,6		365		(403)
Community Charge					
Community charge collected			0		0
NNDR					
Income collectable from business ratepayers			(334,142)		(323,514)
Total income			(462,667)		(450,476)
Expenditure					
Council Tax					
Precepts and Council demand				95,616	
- LB Camden (including Garden Squares)		96,148			
- Greater London Authority		29,164	125,312	28,993	124,609
Distribution of surplus/(collection of deficit)					
- LB Camden		2,912		3,096	
- Greater London Authority		883	3,795	944	4,040
Amounts written off/(on)			497		3,536
Community Charge					
Transfer to General Fund			0		0
NNDR					
NNDR allowable costs and adjustments		4,141		5,161	
Contribution to the NNDR pool	8	330,001	334,142	318,353	323,514
Total expenditure			463,746		455,699
Deficit/(Surplus) for the year			1,079		5,223
Collection Fund Balance					
Surplus at beginning of year			£'000 (2,299)		£'000 (7,525)
Deficit/(Surplus) for the year			1,079		5,223
Surplus at end of year	7		(1,220)		(2,302)

Notes to the Collection Fund

1. General

The Collection Fund was established on 1 April 1990 under the provisions of the Local Government Finance Act 1988. It accounts for all transactions on council tax, business rates and residual community charge. Although it is kept separate from the Income and Expenditure Account, Camden's share of the Collection Fund balance forms part of the Balance Sheet.

Any deficit or surplus in respect of community charge falls to be met solely by, or credited solely to, the Council's General Fund.

By law, the tax for each band is set as a fraction of the band D charge. For 2009/10, the Council estimated that a band D charge of £1 would produce an income of £94,100. This figure is used by the preceptors and the Council to set the band D charge and is known as the Council Tax Base or the total of band D equivalent properties. The base is determined by taking the number of properties in each band, adjusting for discounts (including that for single occupancy of 25%), exemptions and non-collection, and multiplying by the appropriate fraction for that band. Following a change in the law, since 1 April 2004 discounts on unoccupied, furnished property have been set at 10% and there is no discount on unoccupied, unfurnished property.

2. Council Tax

The Council Tax is a property-based tax with a system of personal discounts, based upon the nature and degree of occupation of the property concerned. For the purpose of assessing the tax, all domestic properties were valued by the Inland Revenue and placed in one of eight bands, depending upon the estimated market value at 1 April 1991.

In 2009/10 the council tax for band D was set as follows:

3. Council Demand

The Council's demand on the Collection Fund represents the balance of spending for the year to be met from local taxes, together with any deficit or surplus met in that year in respect of community charge.

Regulations prescribe that any surplus or deficit in respect of Council Tax items in the Collection Fund is to be split between the Council and major preceptors. These adjustments are determined at the time of tax setting and included in the precepts and Council demand.

	£
Camden	1,021.53
Greater London Authority	<u>309.82</u>
Total	<u>1,331.35</u>

This was the same amount as in 2008/09.

4. Council Tax Bands

Market Value	Band	2009/10 Council Tax	Number of properties at 31 March 2010	Number of properties at time of tax setting	Fraction 2009/10	Tax base for tax setting
		£				£
Less than £40,000	A	887.57	3,803	3,264	6/9	1,564.99
£40,000 - £52,000	B	1,035.49	10,855	10,505	7/9	6,181.05
£52,000 - £68,000	C	1,183.43	19,640	19,313	8/9	13,524.67
£68,000 - £88,000	D	1,331.35	24,588	24,149	9/9	19,452.58
£88,000 - £120,000	E	1,627.21	16,865	16,618	11/9	16,712.59
£120,000 - £160,000	F	1,923.06	10,556	10,413	13/9	12,732.25
£160,000 - £320,000	G	2,218.92	11,729	11,686	15/9	16,717.35
£320,000 or more	H	2,662.70	4,196	4,096	18/9	7,214.52
Total			102,232	100,044		94,100.00

Notes to the Collection Fund (continued)

5. Community Charge

As the provision for bad debts covers 100% of the arrears outstanding, any further collections of community charge will be credited to the Collection Fund as income. Genuine arrears are still being collected by instalments. Regulations require that any deficit or surplus in respect of community charge be transferred to the Council's General Fund.

6. Council Tax - Uncollectable Amounts

The provision to cover bad debts stood at £9.060m on 31 March 2010. This represents 63% of the outstanding arrears.

7. Fund Balance

The balance on the Collection Fund at 31 March 2010 represents deficits and surpluses that have arisen since 1 April 2004 in respect of council tax and community charge transactions. These may be analysed as follows:

	31 March 2009	Change during 2009/10	31 March 2010
	£'000	£'000	£'000
Council tax			
-2008/09	(3,481)	3,481	0
-2009/10	1,182	(2,412)	(1,230)
	(2,299)	1,069	(1,230)

The surplus in respect of council tax will be credited to the General Fund in future years.

Preceptors and the Council's General Fund will receive the surplus in respect of council tax in 2010/11 and 2011/12. These payments may be analysed as follows:

	Refund 2010/11	Estimated Charge 2011/12	Total
	£'000	£'000	£'000
Camden	(919)	1,863	944
Greater London Authority	(278)	564	286
	(1,197)	2,427	1,230

8. Collection of National Non-Domestic Rates

Under the arrangements for National Non-Domestic Rates (NNDR) the Council collects business rates for its area, which are based on local rateable values and a multiplier set by the Government. From 1 April 2005 there are two multipliers, the small business non-domestic rating multiplier, which is applicable to those that qualify for the small business relief and the non-domestic rating multiplier, which is applicable to all other businesses and includes a supplement to pay for small business relief. The small business non-domestic rating multiplier for 2009/10 is 48.1p and the non-domestic rating multiplier is 48.5p (45.8p and 46.2p in 2008/09 respectively). The total amount collectable, less certain reliefs and deductions, is paid into a national pool.

At 31 March 2010, the non-domestic rateable value of the borough was £823.989m (£814.414m at 31 March 2009). On 1 April 2005 a national revaluation of all commercial properties was undertaken by the Valuation Office, which resulted in the significant increase in the rateable value of the borough. Transitional arrangements have limited changes to bills. These arrangements are being phased out over five years.

Appeals against the original rateable values continue to be received. A significant number of these are backdated downward revaluations that resulted in lower income being received from business ratepayers.

London Borough of Camden – Statement of Accounts 2009/10

Notes to the Collection Fund – Note 8 (continued)

	2009/10 £'000	2009/10 £'000	2008/09 £'000	2008/09 £'000
Income from business ratepayers				
Non-domestic rate charge		384,345		361,945
SBBR Supplement		1,702		2,025
Transitional relief	0			
Less - mandatory charity relief	(36,346)		(33,197)	
- empty property relief	(14,902)		(6,733)	
- discretionary relief	(657)	(51,905)	(526)	(40,456)
Income due from business ratepayers		334,142		323,514
NNDR collection costs, credited to the Council's General Fund	(1,118)		(1,097)	
Bad debt provision/losses on collection	(2,639)		(3,805)	
Discretionary relief charged to:				
The Council's General Fund	447		356	
Interest on refunds	(831)	(4,141)	(615)	(5,161)
Contribution to NNDR Pool		330,001		318,353

PENSION FUND

Introduction

The Council's Pension Fund is operated under the provisions of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 as amended, the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 as amended and the Teachers' (Compensation for Redundancy and Premature Retirement) Regulations 1997 as amended.

The Accounts have been prepared in accordance with the LGPS Regulations 1997 and the 2009 Code of Practice on Local Authority Accounting in the United Kingdom, issued by CIPFA.

All officers and manual workers can become contributors on appointment with Camden or a scheduled body. Employees of other bodies are also admitted to the Fund. The Fund's income is derived from employees, contributions from employing authorities and income from investments.

The Fund operates as a defined benefits scheme and provides retirement pensions and lump sum allowances, widows' and children's pensions and death gratuities.

The accounts have been prepared in accordance with the provisions of Chapter 2 of the Pensions SORP 2007.

Fund Management

The day-to-day management of the Fund is split between the Director of Finance (venture capital and internal funds) and six professional fund managers, Aberdeen Asset Managers Ltd, Fidelity International, Goldman Sachs Asset Management International, Legal and General Assurance (Pensions Management) Ltd, Schroder Investment Management Ltd and UBS Global Asset Management (UK) Ltd. Each operates within policies and targets originally determined by the Council's Audit and Corporate Governance (Pensions) Sub-Committee Investment in 2008.

Overall investment strategy is the responsibility of the Audit and Corporate Governance (Pensions) Sub-Committee, which consists of eight councillors who receive advice from the Chief Executive, the Director of Finance and the Head of Legal Services, the six Fund Managers, Hymans Robertson LLP and Pensions Investment Research Consultants Ltd. Trade Union representatives and retired members are also invited to attend the Sub Committee as observers. Sub Committee meetings are held on a quarterly basis.

The market value of the assets held by the Council and the seven Fund Managers as at 31 March 2010 is as follows:

Fund Managers	£'000
Council	12,878
Aberdeen Asset Managers Ltd	239,465
Fidelity International	227,877
Goldman Sachs Asset Management International	94,105
Legal & General Assurance (Pensions Management) Ltd	259,853
Schroder Investment Management Ltd	23,184
UBS Global Asset Management (UK) Ltd	19,436
	<hr/> 876,798 <hr/>

Actuarial Valuations

The Fund is subject to actuarial valuation every three years. The actuary is required to specify the employer's rate of contribution to the Fund necessary to ensure that present and future commitments can be met. An actuarial valuation of the Fund was carried out as at 31 March 2007.

The market value of the Fund's assets at the valuation date was £798.8m. The actuarial value of the Fund's accrued liabilities, allowing for future pay increases, was £997.1m; therefore there was a shortfall of £198.3m (19.9%).

The employer's contribution rates have been calculated using the projected unit actuarial method and the main actuarial assumptions were as follows:

Rate of Return on Investments

Equities	6.50% per annum
Bonds	4.50% per annum
Rate of general pay increases	4.70% per annum
Rate of increases to pensions in payment in excess of guaranteed minimum pensions	3.20% per annum

Assets were valued at the discounted value of future income assuming a 1.6% per annum dividend growth on income reinvested and also assuming that dividend income would be re-invested in the FT All-Share Index and would share in the long-term growth in capital value of equities listed in that index.

PENSION FUND (continued)

As the Fund at 31 March 2007 was sufficient to meet only 80% of the liabilities it has been necessary to increase the employer's contribution rate from 2008/09 and continue at that level for the next two years. The rate of contribution during 2009/10 was 23.3% of pensionable pay.

The recommended rates of employer's contributions, were as follows:

2008/09	23.3%
2009/10	23.3%
2010/11	23.3%

The next triennial actuarial valuation is being carried out as at 31 March 2010. The results will be known in November 2010 and the employer's contribution rate will be adjusted in the light of this.

Related Party Transactions

There were no transactions with related parties other than those which are disclosed elsewhere within the accounts. In 2009/10, £0.555m was paid to the council for administration (£0.501m in 2008/09) and as at 31 March 2009, £6.574m was due from the Council to the Fund (£16.089m at 31 March 2009).

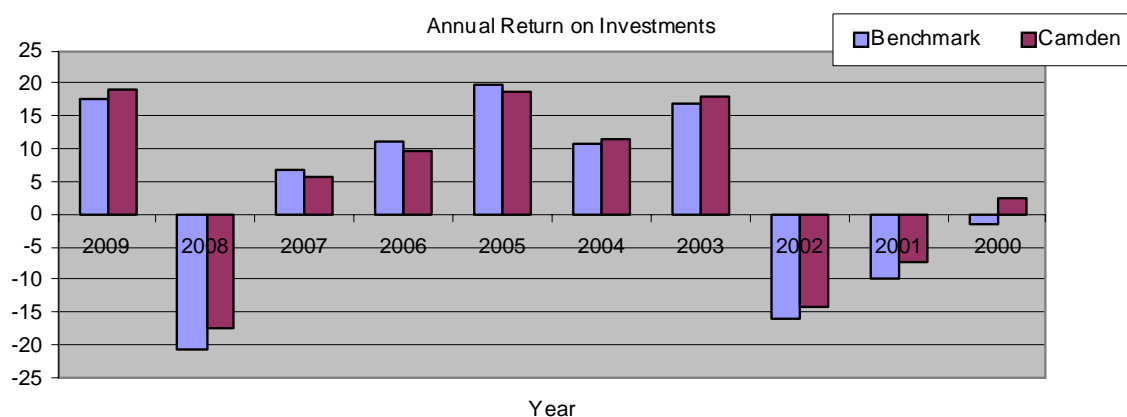
Fund Portfolio and Diversification

The Regulations require that the Trustees and Fund Managers should pay regard to the need to diversify investments and also to the suitability of particular investments.

Scheduled Bodies

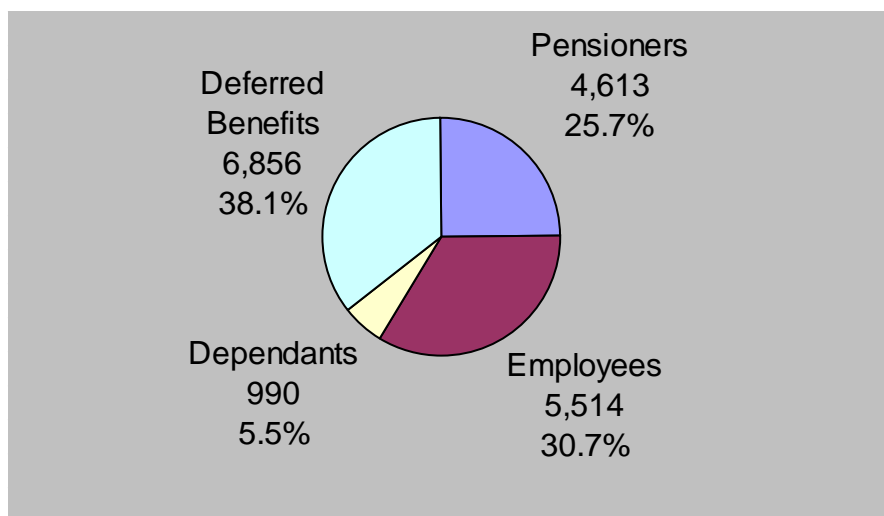
The Local Government Information Unit is the only scheduled body which made contributions to the Fund in 2009/10.

PENSION FUND (continued)



The overall value of the Fund has risen by 64.3% during the last ten years. The diagram above, based on figures prepared by the WM Company, provides a comparison between the performance of Camden's Fund and that of the average of other participating funds, including company pensions, for each year over this period. It shows the time-weighted return on investments for each calendar year.

Since 1 January 2006 Camden has had a specific benchmark. The comparison is therefore based against six years WM average and four years of the specific benchmark. The benchmark weightings are as follows: - UK Equities 25%, Global Equities 50%, Bonds 15% and Property 10%.



Total membership of the Fund at 31 March 2010 was 17,973 (17,908 in 2009). Within the totals shown in the pie chart are 530 employees, 412 pensioners, 40 dependants and 743 deferred benefits attributable to admitted bodies and scheduled bodies.

PENSION FUND ACCOUNT for the year ended 31 March 2010

	Notes	2009/10 £'000	2008/09 £'000
Contributions and benefits			
Contributions receivable:			
From Employees		(11,428)	(11,143)
From Employers		(37,836)	(37,006)
Transfers in (individual)		(9,326)	(4,907)
Augmentation Payments	2	(2,567)	(2,932)
Contribution equivalent Premiums	3	(5)	(9)
Retirement pensions		32,125	29,747
Commutation of pensions and lump sum retirement benefits		7,468	6,263
Lump sum death benefits		566	574
Refund of contributions		18	11
Transfers out (individual)		11,129	5,388
Administration costs		774	723
Overseas tax deducted from investment income		619	464
Cost of transition	4	(595)	3,186
Other expenditure		319	498
Net additions from dealing with members		(8,739)	(9,143)
Returns on investments			
Investment income	5	(13,066)	(23,179)
Change in market value of investments	6	(235,957)	186,054
Management fees		1,588	1,569
Net returns on investments		(247,435)	164,444
Net increase/(decrease) in the fund		256,174	(155,301)
Net assets at 1 April 2009		620,624	775,925
Net assets at 31 March 2010		876,798	620,624

The change in net asset value of £256.174m between 2008/09 and 2009/10 represents an increase of 41.3%, and was primarily due to the surge in world stock markets. A full review of the impact of the increase in the value of the Pension Fund will take place after the results of the actuarial valuation in 2010 are known.

PENSION FUND NET ASSETS STATEMENT as at 31 March 2010

	Notes	31 March 2010 £'000	31 March 2009 £'000
Investments at market value			
Fixed interest securities			
- Public sector	8	32	35
- Life Fund	8	201	175
- Pooled Investment Vehicle	8	94,106	66,717
Index linked securities			
- Public Sector	8	18,707	16,935
UK equities	8	294,304	195,235
Overseas equities	8	400,457	275,569
Property unit trusts	8	39,147	40,020
Venture capital	8,9	24	24
Cash deposits	8	21,320	9,174
Investment Income Receivable	7	1,384	1,937
	7	869,682	605,821
Other net assets			
Cash Held by Camden			
		6,575	14,619
Current assets	11	1,100	817
Current liabilities	11	(559)	(633)
Net assets		876,798	620,624

The net asset statement includes all assets and liabilities of the fund at 31 March 2010, but excludes long-term liabilities to pay pensions and benefits in future years.

The only unlisted securities held are the Venture Capital holdings.

Notes to the Pension Fund Accounts

1. Accounting Policies

i) All income and expenditure has been accounted for in the revenue account on an accruals basis, with the exception of liabilities to pay pensions and other benefits in the future, and transfer values. These are not accrued, in accordance with SORP 2007 Financial Reports of Pension Schemes.

ii) Investments are shown in the Net Assets Statement at market value. Market valuations are as provided by the Fund's managers and are based on bid values except where stated, when they are based on mid-market values (see note 8) as at the Net Assets Statement date. Prices in foreign currencies are translated at the closing rates of exchange as at that date.

iii) Equities traded through the Stock Exchange Electronic Trading Service (SETS), are valued on the basis of the latest bid price except where stated, when they are based on the mid-market price (see note 8). Other quoted investments are valued on the basis of the bid price except where stated, when they are based on the mid-market value (see note 8) quoted on the relevant stock market.

iv) Assets and liabilities in overseas currencies are translated into sterling at the exchange rates ruling at the balance sheet date. Transactions during the year are translated at rates applying at the transaction dates.

v) The cost of administration is charged directly to the fund.

vi) Income due from equities is accounted for on the date stocks are quoted ex-dividend.

vii) Income from fixed interest and index-linked securities, cash and short-term deposits is accounted for on an accruals basis.

viii) Income from other investments is accounted for on an accruals basis.

ix) The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profit and losses realised on sales of investments and unrealised changes in market value.

x) When foreign exchange contracts are in place in respect of assets and liabilities in foreign currencies, the contract rate is used. Other assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at year end. Income from overseas investments is translated into sterling at an average rate for the period.

xi) Surpluses and deficits arising on conversion are dealt with as part of the change in market values of the investments.

xii) Normal contributions, both from members and employers, are accounted for in the payroll month to which they relate, at rates as specified in the rates and adjustments certificate. Additional contributions from employers are accounted for in accordance with the agreement under which they are paid, or in the absence of such agreement, when received.

xiii) Under the rules of the scheme, members receive a lump sum retirement grant in addition to their annual pension. Lump sum retirement grants are accounted for from the date of retirement. Where a member can choose to take a greater retirement grant in return for a reduced pension these lump sums are accounted for on an accruals basis from the date the option is exercised.

2. Augmentation

This is a payment to the Pension Fund from departmental budgets to make up for the funding shortfall following early retirement or ill health retirement.

3. Contributions Equivalent Premiums

This is a payment to the Contributions Agency to reinstate employees into the State Earnings Related Pension Scheme. This applies only to employees who have received a refund of contributions.

Notes to the Pension Fund Accounts (continued)

5. Pension Fund Investment Income

A detailed breakdown of this figure is shown below:

	2009/10 £'000	2008/09 £'000
Fixed interest securities		
- Public sector	1	1,620
- Corporate bonds	(7)	176
Index linked securities	1	284
UK equities	1,773	10,145
Overseas equities	9,331	7,670
Property unit trusts	1,880	2,033
Interest on cash deposits	87	1,251
Total income	13,066	23,179

6. Change in Market Value of Investments for the year ended 31 March 2010

	2009/10 £'000
Fixed interest securities	12,769
Index linked securities	1,772
UK equities	100,729
Overseas equities	122,176
Property unit trusts	(873)
Venture capital	0
Foreign currency	(616)
Total	235,957

7. Investments

Pension Fund Purchases and Sales by Asset Type for the year ended 31 March 2010:

	2009/10 £'000	2008/09 £'000
Purchases		
Fixed interest securities		
- Public sector	0	22,494
- Corporate bonds	0	17,296
Life Fund	0	210
Pooled Vehicle	15,000	65,666
Index linked securities	0	27,540
UK equities	19,939	283,029
Overseas equities	189,161	445,272
Property Unit Trusts	0	815
Total purchases	224,100	862,322
Sales		
Fixed interest securities		
- Public sector	0	80,599
- Corporate bonds	0	27,629
Life Fund	358	21,047
Index linked securities	0	28,304
UK equities	21,599	295,124
Overseas equities	186,459	369,730
Property unit trusts	0	0
Venture capital	0	4
Total Sales	208,416	822,437

Notes to the Pension Fund Accounts (continued)

8. Pension Fund Analysis of Investments at Market Value

	31 March 2010 £'000	31 March 2009 £'000			
Securities			Ireland	1,429	511
Government fixed interest			Israel	0	377
UK	32	35	Italy	12,763	15,381
Life Fund	201	175	Japan	44,900	35,616
Government index linked			Luxembourg	475	248
UK	18,707	16,935	Malaysia	0	216
Fixed Pooled Vehicle			Mexico	0	964
UK	94,106	66,717	New Zealand	0	86
	113,046	83,862	Norway	686	396
UK equities			Philippines	0	253
Quoted	53,184	37,702	Portugal	629	642
Pooled Vehicle	241,120	157,533	Russian Federation	0	818
	294,304	195,235	Singapore	4,489	2,969
Overseas equities			South Africa	0	1,875
Australia	15,003	8,525	South Korea	0	4,978
Belgium	1,791	2,980	Spain	7,126	6,305
Bermuda	547	0	Sweden	10,090	6,368
Brazil	0	7,496	Switzerland	26,416	15,941
Canada	13,626	8,260	Taiwan	0	6,401
Chile	0	190	Thailand	0	338
China	277	5,411	USA	172,575	99,996
Czech Republic	0	132	Virgin Islands	235	28
Denmark	1,777	776		400,457	275,569
Emerging Markets	28,765	3,329	Property unit trusts		
Finland	446	197	Hermes	2,681	2,575
France	15,657	10,842	Schroder Exempt	18,515	18,593
Germany	21,682	15,112	Threadneedle	851	838
Greece	887	191	UBS Triton 11	17,100	18,014
Holland	6,022	4,310		39,147	40,020
Hong Kong	12,164	5,722	Venture Capital		
India	0	1,142	Midland Growth Fund	24	24
Indonesia	0	247	Investment Income		
			Receivable	1,384	1,937
			Cash Deposits	21,320	9,174
			Total asset value	869,682	605,821

Notes to the Pension Fund Accounts (continued)

9. Valuations by Fund Managers

	Bid Price £'000	Mid-Market Price £'000	Total £'000
Council			
Fixed interest securities			
- Public sector	0	32	32
- Venture Capital	24	0	24
- Cash (external)	6,072	0	6,072
Aberdeen Asset Managers Ltd			
- UK equities	34,338	0	34,338
- Overseas equities	195,403	0	195,403
- Cash	8,790	0	8,790
Fidelity International			
- UK equities	0	18,847	18,847
- Overseas equities	205,051	0	205,051
- Cash	3,531	0	3,531
Goldman Sachs Asset Management International			
Fixed interest securities			
- Pooled investment vehicle	94,106	0	94,106
Legal & General Assurance (Pensions Management) Ltd			
Pooled investment vehicle			
- Index linked securities	18,707	0	18,707
- UK equities	241,120	0	241,120
- Cash	27	0	27
Schroder Investment Management Ltd			
- Overseas equities	3	0	3
- Property unit trusts	22,047	0	22,047
- Cash	957	0	957
UBS Ltd Fixed interest securities			
- Life fund	201	0	201
- Property unit trusts	17,100	0	17,100
- Cash	1,942	0	1,942
Total	849,419	18,879	868,298

The public sector holdings held internally by the Council are valued using the Financial Times, which only quotes mid-market prices.

Fidelity International uses the official closing prices in the UK (mid-market), however for all overseas equities they use the bid price.

Notes to the Pension Fund Accounts (continued)

10. Venture Capital

The valuation dates for the venture capital holdings were as follows:

Midland Growth Fund **31 March 2010**

11. Analysis of Contributors and Benefits

	2009/10	2008/09
	£'000	£'000
Contributions receivable		
Administering authority	(50,811)	(47,866)
Scheduled Bodies	(362)	(486)
Admitted bodies	(9,989)	(7,645)
	(61,162)	(55,997)
Benefits payable		
Administering authority	45,633	40,938
Scheduled Bodies	267	604
Admitted bodies	6,523	3,842
	52,423	45,384

12. Analysis of Net Current Assets and Liabilities

	2009/10	2008/09
	£'000	£'000
Assets		
Capital Costs receivable	249	84
Admitted Authorities payments receivable	502	511
Inland Revenue	349	222
Liabilities		
Creditors	(173)	0
Unpaid Benefits	(386)	(633)
	541	184

13. Additional Voluntary Contributions

Additional voluntary contributions are not included in the Pension Fund Accounts in accordance with regulation 5(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998.

The providers for Additional Voluntary Contributions are Phoenix Life Ltd and Prudential Assurance Company Ltd (from 1 April 2009).

Phoenix operates two funds, the deposit fund and the managed fund and employees can contribute to either fund.

Prudential offers eleven funds, with the risk ranging from minimal risk to higher risk. The employee has the option to choose a combination of up to ten of these funds. Also the employee has the choice to invest in the default fund (with-profits) or a lifestyle option, which commences with higher risk investments and is gradually switched to lower risk investments as the employee moves closer to retirement.

The value of the Phoenix Fund as at 31 December 2009 was £1,254,981. There was a net reduction in contributions over the year of £48,807.

The value of the Prudential Fund as at 31 March 2010 was £178,787. There was a net inflow of contributions for the year of £168,780.

Notes to the Pension Fund Accounts (continued)

14. Direct Transaction Costs

The amount of direct transaction costs suffered by each Fund Manager was as follows:

	2009/10	2008/09
	£	£
Aberdeen	134,064	18,225
Baillie Gifford	0	150,238
Fidelity	394,341	37,434
Goldman Sachs	0	0
Legal & General	0	171,991
Schroders	0	512,240
UBS	0	336,638
Total	<u>528,405</u>	<u>1,226,766</u>

GLOSSARY OF FINANCIAL TERMS AND ABBREVIATIONS

FINANCIAL TERMS

Accrual The recognition of income and expenditure as it is earned or incurred, rather than as cash is received or paid.

Balances Unallocated reserves held to resource unpredictable expenditure demands.

Capital Charges Charges made to service department revenue accounts, comprising depreciation (where appropriate) based on the value of the asset employed.

Capital Expenditure Expenditure on new assets such as land and buildings, or on the enhancement of existing assets so as to significantly prolong their useful life or increase their market value.

Capital Financing Charges The annual cost of depreciation, leasing charges and other costs of funding capital expenditure.

Capital Receipts Income received from the sale of land, buildings and other capital assets.

Contingent Liabilities Potential losses for which a future event will establish whether a liability exists. As it is not appropriate to establish provisions for such amounts, they are not accrued in the financial statements, but disclosed separately in a note to the Balance Sheet.

Creditors Amounts owed by the Authority at 31 March for goods received or services rendered but not yet paid for.

Debtors Amounts owed to the Authority which are collectable or outstanding at 31 March.

Dedicated Schools Grant – a specific grant for the funding of schools and which is ring-fenced to the Schools Budget.

Deferred Capital Income This consists mainly of income due from former tenants who have purchased their homes and taken out mortgages with the Council.

Earmarked Reserves Amounts set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish provisions.

Formula Grant The main grant paid by central government to a local authority towards the costs of all its services.

Provisions Monies set aside for liabilities and losses which are likely to be incurred but where exact amounts or dates on which they will arrive are uncertain.

Revenue Expenditure from Capital under Statute (REFCUS) spending on items normally classed as revenue but which are defined by statute as capital eg improvement grants.

Revenue Expenditure Spending on day-to-day items, including salaries and wages, premises costs and supplies and services.

Transfer Payments Benefits paid over to tenants and homeowners towards rent and council tax which is then reimbursed by central government.

GLOSSARY OF FINANCIAL TERMS AND ABBREVIATIONS (continued)

ABBREVIATIONS

CIPFA Chartered Institute of Public Finance and Accountancy

DCLG Department for Communities and Local Government

DCFS Department for Children, Schools and Families (formerly DfES – Department of Education and Skills) (Central Government)

DWP Department of Work and Pensions (Central Government)

FTE Full Time Equivalent

GLA Greater London Authority

HRA Housing Revenue Account

LAML Local Authority Mutual Limited

LGPS Local Government Pension Scheme

LOBO Lender Option Borrower Option financial instrument

LPFA London Pensions Fund Authority

LRB The former London Residuary Body (residual functions of the Greater London Council and ILEA)

MRP Minimum Revenue Provision

NNDR National Non Domestic Rates (Business Rates)

OEIC – Open Ended Investment Company

PFI Private Finance Initiative

PWLB Public Works Loans Board

SOLACE Society of Local Authority Chief Executives

SORP Statement of Recommended Practice

SSAP Statement of Standard Accounting Practice